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NEWS SUMMARY

GENERAL

Iceland talks date fixed

European Community is to [...] talks with Iceland in [...]ssels on Wednesday aimed [...]curing continued access for [...]sh trawlers in Icelandic [...]rs. An agreement between [...]in and Iceland expires next [...]h.

[...] negotiations follow agree[...] among Foreign Ministers of [...]ine on a concerted EEC [...] to 200-mile fishing limits [...] North Sea and North [...]ic on January 1.

[...] breakthrough came this [...]d when the Foreign [...]rs conceded that the Irish [...]c's fishing industry [...]d exceptional treatment [...] common fisheries policy [...] to take account of 200-[...]mits. Back and Page 4

[...]ce to leave [...]y next month

[...] Charles is to leave the [...]n December 15. He said [...]ay: "There are other [...] to do and it would be [...]selfish of me if I remained [...] away here." He is to head [...]ommittee which is to [...]e next year's celebrations [...] Queen's Silver Jubilee.

[...]tary rites [...] Mrs. Drumm

[...]nds of Provisional IRA [...]ters are to attend a mili[...]le funeral in Belfast [...] for Mrs. Maire Drumm, [...]visional Sinn Fein former [...]sident who was murdered [...]ek in a Belfast hospital. [...]neral is expected to be [...] held in the city. [...] will be watching for [...] Provisional leaders who [...]cely to travel from the

[...]olt crushed [...]akistan

[...] troops, tanks and air[...]e crushed a North West [...] revolt in a remote [...]ous district resulting [...]al discontent over Gov[...] seizure of timber [...] Up to 300 primitively [...]besmen are reported to [...] killed. Page 4

[...]id threat

[...] of Madrid's public [...] system is threatened if [...]n is found to the bus [...]trike by to-morrow. [...]d railway workers [...]rivers are ready to [...]n sympathy. Iberia [...] were also reported [...]ring action.

[...]n fears

[...]ears in Beirut that [...]ing the Arab peace [...]anon into effect [...]o resumption of [...]ghting. Sporadic [...]ued to undermine

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[...]ld be [...] home[...] [...]il of

BUSINESS

Business optimism drops sharply

● **OPTIMISM** over business prospects and the economy as a whole fell sharply during October, though the level of orders is still rising, the Financial Times survey of business opinion shows. Back Page. Stockbrokers Phillips and Drew has substantially revised its forecasts for the U.K. in its latest monthly economic review. It predicts growth at 2¼ per cent. in the 18 months to the end of 1977, a long period of monetary stringency and the imposition of selective import deposits. Page 7

● **SIR MONTY FINNISTON,** former chairman of the BSC, has been appointed a non-executive director of Guest Keen and Nettlefolds. Page 10

● **HIGH STREET** retailers are experiencing a sales boom mainly because of fears of an imminent increase in the rate of VAT. Page 6

● **BUILDING SOCIETIES** Association chairman said that if the general level of interest rates remained exceptionally high it might be difficult for the societies to attract the same volume of funds as earlier this year. This was the first official hint that the movement might not be able to repeat this year's lending programme during 1977. Page 6

Attempt to block North Atlantic shipping probe

● **THE BRITISH** Government, in concert with the French, West German, Dutch and Belgian Governments, is attempting to frustrate the U.S. Department of Justice investigation into North Atlantic shipping practices by forbidding the release of subpoenaed documents. Back Page

● **SHAH OF IRAN** told the West German newspaper Welt am Sonntag that the price of his country's oil must be raised by at least 15 per cent.

● **FINNISH EXPERTS** are reported to have recommended that their Government buy the Hawker Siddeley Hawk instead of Sweden's Saab 105 for its new trainer and defence aircraft.

● **JAPANESE** motor vehicle exports rose 42.2 per cent. in the first half of the financial year to 1.87m. units. Page 5

● **SCOTCH WHISKY** exports in September were 19 per cent. above last year's level in volume and 37 per cent. in value. Page 5

Anglo-French air talks

● **ANGLO-FRENCH** aerospace talks to-morrow will cover prospects of collaboration in a range of civil airliners, leasing arrangements for the seven unsold Concordes and a long-term study for a second-generation supersonic airliner. Rolls-Royce (1971) is near final agreement with Pratt and Whitney on manufacturing the JT-10D engine for short-to-medium range aircraft. Page 6

● **ESSO PETROLEUM** wholesale price for petrol increases by 2½p a gallon to-day.

● **IMPERIAL TOBACCO's** cigarette prices rise by between 1p and 2½p for 20 to-day. Tobacco increases by 2½-3p an ounce.

● **FERROUS SCRAP** prices are expected to fall by about £5 this week due to a substantial cut in buying by the BSC.

COMPANIES

● **CHARTERHOUSE JAPHET** has sold its 16⅔ stake in the consortium bank Atlantic International to another shareholder, Manufacturers National Bank of Detroit. Page 28 and Lex

● **LESIEUR,** the troubled French edible oils and fats group, is back in the black with a profit of Frs.27m. (£3.4m.) for the last financial year after several years of heavy losses. Page 29

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Treasury forecasts slower growth and more inflation

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A slower rate of economic growth and a more pessimistic outlook for inflation than projected by the Treasury in June are the main features of the new National Income forecasts for the next 18 months which have just been completed in Whitehall.

These forecasts will form the starting point for discussions with the full International Monetary Fund team which is due to arrive in London in a couple of days to inspect the books as a preliminary to negotiations on the $3.9bn. loan Britain is seeking.

The economic outlook which is understood to emerge from the forecasts is of a slowly growing economy with a flat trend of personal consumption and a continuation of a high savings ratio, limited physical stockbuilding but a recovery in manufacturing investment from the present low levels.

A more gloomy view is being taken than earlier in the year both of the prospects for the rate of price inflation and for unemployment over the next 18 months.

The only really encouraging point is on the external side where the current account of the balance of payments is expected to improve substantially during the course of next year.

This reflects both the impact of a slow expansion in the domestic economy on the volume of imports and of a projected rapid rise in exports, as well as the growing effects of North Sea oil.

The Treasury computer model of the economy has throughout the year produced notably optimistic export forecasts. But the view now is that these hopes will at last materialise owing to the very competitive exchange rate and the projected resumption of steady growth in world trade, though at a more modest pace than previously assumed.

A series of forecasts are thought to have been produced from the Treasury computer reflecting a range of different assumptions. The official version when published may not be exactly comparable with any of the non-Whitehall projections which have often taken into account possible policy changes, even though the general emphasis may be similar. There is now general agreement that economic growth will be below the 4¼ per cent. rate forecast by the Treasury in July for the 18 months to the end of 1977.

Suspicion

Certain officials within Whitehall have always been sceptical about the reverence attached to the results of the National Income Forecasts (NIF). But they are now even more doubtful because of uncertainties about the growth of world trade, the rise in earnings over the next 18 months, and the state of business confidence, which affect the assumptions fed into the computer even before allowing for possible policy changes.

On this view, the numbers produced by the NIF exercise could be used to support various policy stances. The fact that the Government used a faster than anticipated rate of physical expansion in the economy in the spring as part of its justification for the public spending cuts and tax increases in July—and the reverse is the case now—is not thought likely to cause much loss of sleep for the Chancellor's speechwriters.

While the full implications for the public sector borrowing requirement are not yet clear, they are unlikely to be particularly encouraging. So there is a suspicion in parts of Whitehall that the Treasury will use the NIF projections and parallel monetary estimates as support for further restrictive measures.

The IMF negotiating team will have their own views on the figures produced by the Treasury which will determine the scale of any adjustment to the borrowing requirement and monetary targets they set as a condition for the IMF loan, and hence the scale of any package later this month.

In advance of these discussions, spending departments are carrying out a review of possible cuts, though with no definite target in mind.

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Preliminary talks start on plan to aid sterling

FINANCIAL TIMES REPORTER

PRELIMINARY discussions intended to clear the way for an international operation in support of sterling appear to have started on both sides of the Atlantic.

Reports from Washington suggest that consideration of the raising of substantial additional credit for Britain may be under way, though not at the highest levels of Government.

In Bonn, officials made it clear last week that an international longer-credit for the U.K. was at least a topic for discussion.

At the same time, there was support over the week-end from several EEC Foreign Ministers for an urgent appeal by Mr. Leo Tindemans, the Belgian Prime Minister, for the European Community to be involved intimately in an international rescue operation for sterling.

Mr. Tindemans told Foreign Ministers of the Nine in the Hague that the Community must take a position, and play a role, in the search and preparation of a solution, even if this was eventually found in a wider international context.

His remarks were strongly endorsed by, among others, M. Louis Guiringaud, the French Foreign Minister.

Mr. Callaghan made clear in a TV interview on Monday night that Britain wanted to get rid of its reserve currency role and was looking for help from the U.S., Germany and Japan in finding a way of funding the sterling balances.

Some British Ministers are known to be anxious to follow up this initiative as rapidly as possible so that at least an indication of intent about the sterling balances could be made at the same time as the disclosure of the terms of the International Monetary Fund loan.

There would be a clear political attraction in having all the announcements at one time, thus partly offsetting the likely political damage to the Government among its own supporters from any tax increases or public spending cuts associated with the IMF terms.

It would also obviously assist confidence in the pound if some international assurance about the sterling balances could come then.

The official Treasury line until now has been that the negotiation of the IMF loan has an absolute priority and that any major progress in discussions on the sterling balances must come later when the talks have been completed.

Mr. William Simon, the U.S. Treasury Secretary, yesterday denied that formal negotiations had begun. "If you're talking about formal negotiations, he said, "you're talking about me talking to Apel (the West German Finance Minister) and that hasn't happened."

However, Mr. Simon also observed that "There are all sorts of conversations and analysis going on all the time, but it would be very premature to say that actual negotiations are taking place."

Alongside Mr. Simon's carefully chosen words, there is growing evidence that the State Department, which is often at odds with the U.S. Treasury, is now taking an acute interest in Britain's plight.

Dr. Kissinger, the Secretary of State, is known to have a close personal relationship with Mr. Callaghan and is said to be receiving daily reports on the British situation.

The central issue in the State Department's deliberations is not how much money Britain might need on top of the IMF loan but whether it ought to get it.

There is one school of thought inside the Department which maintains that Britain should be allowed to find its own salvation and endure whatever unpleasant consequences this entails.

There is even some doubt as to whether Mr. Callaghan and his Government are properly in control of events.

But this has to be matched against weighty foreign policy considerations, such as fear for the solidarity and effectiveness of Nato and anxiety about the possible proliferation of siege economy measures in other countries should Britain have recourse to them.

Three groups offer help to The Observer

BY JOHN WYLES

TALKS WHICH could determine the future of The Observer newspaper will take place this week with representatives of three rival groups, each of which has submitted proposals, in the form of a detailed written document, for providing financial support.

The Observer's Board of trustees has examined the document and will interview the groups this week. It is expected to meet towards the end of the week to make its decision.

The newspaper claims that it needs medium-term finance and is in no immediate danger of closure.

Since Mr. Rupert Murdoch's News International withdrew as a prospective purchaser ten days ago, the list of serious contenders for either a takeover or a partnership arrangement with The Observer has narrowed to three.

Written submissions have been made by each of them: Associated Newspapers, publishers of the Daily Mail and a chain of provincial newspapers; Sir James Goldsmith, chairman of Slater Walker and of Cavenham Foods; and a Hong Kong newspaper group owned by Miss Sally Aw Sian.

Virtually nothing is known in detail of the various proposals made by the three groups, but an arrangement which provides for a cash injection on the basis of a "partnership" is the one which appears to appeal most to the newspaper's editorial staff, who are anxious to avoid a radical change of content and approach.

For this reason, the proposed Hong Kong connection has its supporters within the newspaper. There is some speculation and anxiety about Sir James Goldsmith's interest — some Observer staff fear that acquisition by him could move the newspaper's political view to the right.

Sir James Goldsmith
Observer speculation

There is no indication that Mr. Murdoch has renewed his interest during the ten days since he backed out after a newspaper leak which he claimed was "a deliberate and orchestrated attempt" to build the negotiations into a controversy.

It is thought that The Observer is looking for an injection of up to £1m. so that it can produce and promote a larger newspaper.

Umtali awaits rocket attack

By Our Own Correspondent

SALISBURY, Oct. 31.

THE EASTERN Rhodesian border city of Umtali was bracing itself to-night for a possible mortar and rocket attack after the announcement earlier to-day that Rhodesian forces had crossed into Mozambique to hit guerilla bases.

The Rhodesian army said that the town had been put on full alert. "There has been a build-up of Frelimo troops in the area."

About 150 Frelimo troops and at least nine mortar positions were visible from the roof of Umtali's customs post, it was reported.

Fear of the attack came after it was announced that four white civilians and a white soldier had been killed by guerillas in the past 24 hours. The incidents were seen here as signs of the guerilla leaders' decision to step up their war against Rhodesia.

Last night, in what has been described as their boldest raid so far, guerillas attacked a motel on the outskirts of the Victoria Falls holiday resort in the north-west of the country. An immigration officer, Mr. Robert Calvert, aged 41, was killed. Two others were injured.

Substantial

A security forces communiqué said that three whites had been killed by guerillas in the south-western region of Filabusi.

Another communiqué tonight said that a white soldier, Rifleman Richard Fanner, aged 19, had been killed. The Rhodesian border post of Vila Salzar on the south-eastern frontier with Mozambique had been fired on. "Security forces have retaliated."

The Government said there had been a substantial build-up of guerilla forces along the Rhodesian-Mozambique border since Mr. Ian Smith announced his acceptance five weeks ago of Anglo-U.S. proposals to pave the way for black rule within two years.

"To safeguard the interests of the country, security forces have taken action in accordance with accepted international practice."

Security forces reported that 12 guerillas had been killed and that Rhodesian troops had shot dead two blacks who had violated the dawn-to-dusk curfew in the operational areas. Guerillas killed a black employee of the Ministry of Internal Affairs.

Rhodesia talks "too slow"— Back Page

Carter ahead but winner still in doubt

BY JUREK MARTIN, U.S. EDITOR

WASHINGTON, Oct. 31.

WITH 48 hours to go, the outcome of the U.S. Presidential election is in doubt.

Every opinion poll published this week-end puts Mr. Jimmy Carter still fractionally ahead, but by margins so small as to be well within the bounds of normal polling error.

President Ford, his voice growing more hoarse by the hour, is spending his last two days in New York and the big States of the Mid-West, on which the election could hinge.

Mr. Carter's last-ditch effort is in California, where his campaign has been little short of disastrous.

He may join his running-mate, Senator Mondale, for a Monday night rally in Detroit, Michigan—the President's home State.

Even at this late stage in the contest, all he evidence is that a remarkable number of voters have not yet made up their minds.

Encouraging

The New York Times-CBS poll published this morning, says that 12 per cent. are still thinking about how they will vote.

Mr. Ford's strategists see this as encouraging, since the "undecideds" are almost entirely made up of registered independents, among whom Mr. Ford has opened a sizeable lead.

According to the Times-CBS survey, the President now heads Mr. Carter in the opinion of independents by 47 to 37 per cent., with 16 per cent. undecided. Two weeks ago, Mr. Carter held the edge by 43 to 38.

This poll gives no overall national percentages. It finds, geographically, that Mr. Ford is now leading in the East, has lost ground in the Middle West, is level in the Far West, but is still trailing Mr. Carter appreciably in the southern and border regions.

Some State and private polls, however, suggest that Mr. Ford could carry between [...] and five Southern States.

The Washington Post's final State-by-State analysis this morning finds Mr. Carter ahead in 18 States plus the District of Columbia, worth 314 electoral college votes.

Mr. Ford is assessed as ahead in 24 States with 197 votes, with the races in the other eight States and their 127 electoral college votes too close to predict. A total of 270 votes is needed to win.

The two main wire services, UPI and AP, give Mr. Carter slightly bigger margins: UPI 18 States and 220 votes for Mr. Carter, and 16 States and 108 votes for Mr. Ford, with the rest in the balance.

AP puts Mr. Carter over the top with 22 States plus Washington DC and 295 votes to Mr. Ford's 14 States and 89 votes.

Louis Harris's National Poll published late on Friday gave Mr. Carter a one-point lead. The results of his final poll will come to-morrow night.

The last test Gallup tabulation is due to be published late to-night and a Gallup spokesman refused to say what the findings might be.

Considerable disagreement exists between the two camps as to who is ahead in the key big States.

Straw poll

The New York Times reported to-day that a confidential Republican document had concluded that Mr. Ford would lose both New York and Texas (focal points of his last-ditch campaigning), but would carry Florida (long ago written off to Mr. Carter).

The latest New York poll, by the newspaper Newsday, gives Mr. Carter a three-point lead in the State.

The Ford side claims it is at least level or ahead in California, Michigan, Ohio, Pennsylvania and New Jersey (it has previously laid claim to Texas, too).

The final Chicago Sun-Times straw poll for Illinois gives Mr. Carter 49.4 per cent. and Mr. Ford 49.3 per cent., which suggests the State could go either way.

This poll has an enviable record for accuracy, its average margin of error in the last 14 years being barely over 1 per cent.

The picture, therefore, remains confused, with analysts picking over the entrails and finding all sorts of resemblances to three close post-war elections —1948, 1960 and 1968.

Mr. Ford hopes that the precedent will turn out to be 1948 when Harry Truman overcame in the final days of the campaign a Thomas Dewey lead that was never as big as Mr. Carter's now was.

Successes

Mr. Carter can only hope that 1976 will be like 1968, when Hubert Humphrey made great closing strides, but could never quite catch Richard Nixon, even though one final pre-election poll gave him a three-point lead.

That both men should find consolation in the successes of members of the other party is an irony that nobody seems to notice.

Mr. Carter is clearly perturbed at the inroads that Mr. Eugene McCarthy, the independent candidate, could make in certain big, industrialised States with sizeable liberal intellectual minorities.

Editorial comment Page 14

LOMBARD

The 'dialogue' must go on

BY REGINALD DALE

AS SOME Western experts have long predicted, the North-South "dialogue" in Paris looks more and more like petering out inconclusively towards the end of the year. At the end of the latest negotiating session last week, the general atmosphere was one of disillusionment, even if there was less open animosity than at some earlier rounds. There are even doubts as to whether it will be worthwhile holding the Ministerial closing session scheduled for mid-December.

If no concrete results emerge, we will doubtless hear the usual explanation invariably trotted out when international gatherings disagree. This is that they were never intended to take decisions in the first place. In a formal sense that is true of the Paris "dialogue." But the "dialogue" was meant to make progress in settling the major issues that divide the Third World and the industrialised West—at least in the view of the developing countries. The Third World will certainly regard a failure of the dialogue as a flat rejection of their most pressing economic and political demands.

Cynical

From the very beginning of the "dialogue" most Western officials have been openly cynical about their motives. It is frankly admitted among some of the more hardline members of the industrialised camp that the sole criterion of the dialogue's success will be the extent to which it succeeds in heading off another major oil price increase. The aim, particularly in Washington, seems to be simply to keep the developing countries talking by holding out the possibility of concessions at some later stage, and preferably as late a stage as possible. The more progressive industralised countries, like Sweden and the Netherlands, have had little influence on their bigger, tougher partners.

That the West has been able to get away with this so far is largely a result of the extreme reluctance of most of the Third World countries to return to a path of confrontation with the industrialised countries. There is a widespread recognition among developing countries that there is no alternative source for their massive trade and aid needs. (Ironically, the Soviet bloc helps the West in this by its tight-fisted approach to development).

For the moment, the "moderate" view still prevails that it is preferable to go on talking to the West in the hope of achieving something, however inadequate, rather than make sure of nothing by breaking off the dialogue.

Another factor is the U.S. election. Despite the insistence of American officials that U.S. policy will not change whatever the flavour of the new Administration, most developing countries are convinced they would get a better deal from President Carter than President Ford. Whether or not that is so, there is obviously a case for hanging on a little longer in the hope of finding out—the main reason why the talks might still go on next year if Mr. Carter wins the election.

Concessions

But even if Mr. Carter were more generous on aid, it is unlikely that the main thrust of American policy in Paris would change. This is to try to ensure the continuation of the dialogue's Energy Commission after the three other Commissions (on Finance, Development and Raw Materials) are wound up—reverting to Washington's original conception of the dialogue as a forum in which to negotiate oil prices, or at least to put the argument against price increases. But despite some initial support from Saudi Arabia, the oil-producing countries are not likely to swallow the bait without some concrete concessions in other areas in return.

It would be unwise of the West to throw away the dialogue by default. The planned Ministerial session in mid-December coincides precisely with the next Ministerial session of Opec to discuss oil price increases. Meanwhile in Mexico in September the Third World countries have served notice that they will pursue new forms of development co-operation among themselves if the West is not prepared to play ball. They are fully aware of the difficulties of such a course—certainly a great deal would depend on how far the oil-producers were prepared to provide funds in the absence of any Western commitment. But the industrialised countries can only be building up trouble for themselves in the long run if they persistently refuse to take any steps to implement the new international economic order to which they have formally committed themselves.

THE WEEK IN THE COURTS

Arsenal try to have Mr. Ende sent off

BY JUSTINIAN

THE COMMON informer disappeared from the English legal scene more than 20 years ago. Until then private citizens could report to the appropriate authority on certain types of misdeeds of their fellow countrymen. If they established a breach of the law they could pocket a reward from that authority.

But the banishment of such self-interested busybodies does not prevent such figures from turning up in the courts. There are still individual vigilanies who busy themselves with pursuing social causes with no urge for financial reward, only a compulsive desire to right some social wrongs.

Mr. Theodore Ende is one such individual. His pursuance through the courts of the Arsenal Football Club over the rateable value of its football ground at Highbury in North London has landed him in the House of Lords. Last week three Law Lords gave the Arsenal leave to appeal against the decision of the Court of Appeal last July which cost it dearly.

Back in 1974, prompted by Mr. Ende who had written to the valuation officer for the London Borough of Islington proposing that the rateable value of the Arsenal ground at Highbury should be entered in the valuation list at £60,000, the Greater London Central Valuation Court amended the rateable value of the football stadium from £9,250 to a rateable value of £13,900—a modest victory for a man who actually lived in a neighbouring borough, but was a manager of property in Islington, from which rents of rated occupiers were received. The Arsenal managers, stung by this added burden of cost when the club was not very successful on the playing field and might start to face financial difficulties which other football clubs were experiencing, took their case to the Lands Tribunal. They had the original entry in the valuation list of £9,250 restored.

The grounds on which they succeeded had nothing to do with the valuation as such of the football ground for rating purposes. The club argued that Mr. Ende was not a person who "receives the rents" of the property in Islington within Section 24 of the General Rate Act, 1967, and so was not a ratepayer in Islington who was entitled to complain. Furthermore, the club contended, even if he was such a ratepayer he was not a "person aggrieved" within the meaning of Section 69 (1) of the 1967 Act. Only such persons are entitled to make proposals for the alteration of the valuation list.

The Lands Tribunal thought Mr. Ende had no right to challenge the rateable value in the valuation list, because to qualify as an aggrieved person he had to show that his grievance was of a kind which had some demonstrable effect on his pocket, rights or interests particularly, singled out from those of the public generally.

The Court of Appeal thought that argument, accepted by the Lands Tribunal, was wrong. True enough, any under-assessment of one occupier's property has no direct impact on the pocket of another ratepayer. Yet each of them is aggrieved. A long line of Statutes and court decisions going back to 1743 has established that a ratepayer is aggrieved if any other ratepayer is assessed at too low a figure.

Interested

It is in the nature of the rating scheme that all other ratepayers are interested in the valuation or exemption allotted to any single property on the valuation list, hence any ratepayer can raise an objection against a valuation of another's property.

Mr. Ende did not live in the Islington area but in Hackney, half a mile from the Highbury Stadium. He did manage a large Victorian house as agent for a private company. The Lands Tribunal thought a person "who receives the rents" meant the person "who is entitled to receive the rents," the owner and not the agent. The Court of Appeal thought Parliament had chosen the words "who receives the rents," deliberately to make the agent liable to pay the rates, and so Mr. Ende qualified as being in rateable occupation of the house in Islington.

Even if that did not qualify him, he was a ratepayer in Hackney, to whom he was liable to pay rates, one-third of which are for the local purposes and two-thirds for the purposes of the Greater London Council and the Metropolitan Police.

Did the fact that the citizen being himself a ratepayer in one borough adjoining another borough, both of which were local authorities within a wider public authority, make that citizen aggrieved if there was an under-assessment of a property in the other borough? Lord Denning thought it did, but the other two Lords Justices were dubious about it. They hinted that if the two properties were in the same or adjoining streets, but in a different rating area, there might be a case for saying that there was a sufficient interest to make the ratepayer a "person aggrieved." If a house in Hackney was constantly disturbed by crowds thronging towards the football stadium just down the road every other Saturday and on some weekdays, could it not be said that the occupier of the house was aggrieved if the football stadium paid too little rates?

The Court of Appeal rejected outright Mr. Ende's third contention, that as a taxpayer he was a "person aggrieved." The fact that part of the taxes we pay to central government are passed on to some rating authorities in the form of support grants does not provide a sufficient basis for the contention.

So the final round of this match will be fought in the House of Lords. There will be no trophy for the winner, only a sizeable legal bill for the loser. Football administration will hope that no extra financial burden will bear down on a game which is beset with administrative problems.

Pre-tax profits jump 25% in October

Financial Times Reporter

A JUMP of 25 per cent. in pre-tax profits by the 83 industrial companies which published annual reports and accounts in October was the largest year-on-year advance since April, 1975, when the rise of 83.3 per cent. owed much to the inclusion of two major oil concerns.

This latest advance confirms a rising trend over the previous three months.

Dividends also continued to make good progress. Last month's rise of 16.9 per cent. on those declared a year ago was in line with the 17.8 per cent. average rise for the previous three months.

Of the larger concerns to report last month, Associated Dairies' pre-tax profits rose 49.2 per cent. and the dividend was lifted by 6 per cent., while Great Universal Stores' profits advanced 10.4 per cent. and the dividend was increased by 8.6

SOCCER — BY TREVOR BAIL[E]

Tottenham spoil a good effort in the closing moments

TOTTENHAM HOTSPUR fielded a new-look team against Everton at White Hart Lane on Saturday. They have had a depressing spell and Keith Burkinshaw, the manager, appealed in the programme for encouragement from the supporters. They have been reared on success and are not taking kindly to the mediocre.

The side responded with some very attractive football, which produced three goals and had the crowd roaring their appreciation and approval.

With five minutes remaining and a 3—1 lead, Spurs seemed certain to achieve the victory they deserved. But then sheer tactical naivety and two mistakes by a defence which had always looked suspect under pressure, allowed the visitors to score twice and share the points.

One of the main reasons for the excitement and the goals was the pitch. Although it was very greasy on top it had a true bounce. These conditions are ideal for ball players, but big defenders have difficulty in turning quickly.

The conditions suited the Spurs front trio. The mid-field trio were equally at home. But the surface exposed limitations in a rather functional back four.

Although Everton were more impressive in the opening stages, once Spurs had settled down and Conn found he could take on and beat defenders they seized the initiative. In his new role as striker Conn displayed fine control and a remarkable acceleration. The way he was able to create opportunities from nothing was reminiscent of Bowles.

It made one wonder why he had been unable to command a regular place in the side. A defensive mix-up following one of his numerous, darting runs gave Spurs a 1—0 lead at half-time.

After the interval they went further ahead when McAllister ran in unchallenged to head home an inswinging corner. Victory looked assured until King made it 2—1, slightly against the run of the play. This setback was only temporary. Osgood scored from a penalty after Conn, who had burst clear, was brought down by the keeper.

Everton refused to accept what appeared inevitable. They [con]tinued to thrust forward an[d a] fine back header by the [...] dangerous Latchford from [a] free-kick enabled McNaught [to] head home. In the final seco[nds] their costly striker ran clear [to] score, after Pratt lost the [ball] way upfield in the opposing [half] and with nobody provid[ing] cover.

On this display it was hard [to] imagine Everton as serious c[on]tenders for the League ti[tle]. They have an appetite for g[oals] which is a welcome change fr[om] their rather negative attit[ude] away from home last sea[son]. But their defence is not suf[fici]ently compact. In mid-fi[eld] Hamilton was more effec[tive] than his far more expens[ive] colleague Dobson, who [at] Burnley looked a lo[gical] successor to Bell in the nati[onal] team.

Spurs played their best [...] ball for some time. But d[oubts] about the lack of defe[nsive] covering remain. A shortag[e of] height and weight up front [could] prove a serious handicap on heavy grounds which are [to] come.

Chelsea thrill a full house

BY JAMES FRENCH

CHELSEA CAN smile a little on the way to the bank. Last week Soccer's £2m. debtors took a useful step towards solvency.

Their League Cup tie against Arsenal earned them a reputed £26,000; and Saturday's 3—1 win over Southampton attracted their best League gate for three and a-half years, 42,654, and must have brought them another £50,000.

It was Chelsea's first sponsored game (fee: £750), and another seven sponsored games have been lined up this season. When the game is televised, the fee jumps by £250. P. Lowery and Sons, civil engineers, Saturday's sponsors, were so pleased that they said they would sponsor another game this season.

To-day, Chelsea's chirpy young chasers stand four points clear at the top of Division II. The "All Seats Sold" signs will surely go up a few more times at Stamford Bridge, and those TV cameras will roll.

Pity they were not rolling on Saturday. Pity the tickets had not arrived from the printers to start raffling the Chelsea-Blue Mini that was on show in front of The Shed. They would have sold out after Saturday's thriller.

It was the sort of game soccer's older part-time fans can still remember from the keen days of their youth, the sort we thought to-day's players had forgotten how to put together. A busy first half with the lads all over the other side, but not managing to score.

Halfway through the second half Southampton scored, but three minutes later Chelsea drew level. Six minutes later Chelsea took the lead, and after another eight minutes they scored their third.

Southampton, the Cup winners, have been picking up their pieces after a ghastly start to the season. They had left out [...] and Steele. Wembley [...] Stokes was sub, and C[...] was rather subdued b[ut] backs Rodrigues and [...] made sure the defence w[as] [...] and disciplined.

Chelsea's perceptive [...]sters showed they are a[s] [...] of brain as they are [...] They revealed an as[tonishing] ability to find one anot[her with] short sharp passes w[hen] marking was tight, a[nd] strung together some [...] intricate moves. [...] greater concentration o[f] freer colleagues shoul[d be] more productive.

Centre-forward Finni[eston,] 21-year-old Scot, is a rea[l] [...] wrong-footing his man [...] good old-fashioned bod[y] [...] and arching his body [...] acrobat to turn a tellin[g] [...] when he seems badly po[sitioned.] All this plus great ball [...] and 11 goals this seaso[n.]

RUGBY UNION — BY PETER ROBB

French show their dominance

FRANCE convincingly beat Australia 34-6 in Paris but it could easily have been 54-6, so dominant were the French.

By this simple victory, France gave early warning to Wales, who like the French see that game as the key to championship. It is perhaps a pre-emptive and arrogant attitude but on balance totally justified.

Astre quickly dropped a goal which McLean equalised with a penalty. France squandered many chances before Astre slipped away for Harize to score.

Astre again whipped through an inviting gap brilliantly supported by Skrela, and Averous scored in the other corner with Aguirre converting.

Aguirre and McLean swapped penalties before France found the rhythm of collective play that has destroyed so many teams in the past. In a dazzling finale Bertranne, Aguirre, Rieves and Cholley added further tries of which Aguirre converted one.

Australia for all their gritty defence had no physical or technical answer to the legerdemain of the French.

Shaw and Loane tackled superbly as did Batch on the right wing, but under pressure at all points the defence ultimately had to give way. Australia were reduced to tapping at the line-out and none too accurately.

France had the luxury of moving the giant Bastiat around with Paparemporde and Vaquerin churning away with the others in faithful pursuit.

Australia tried desperately to run what possession they had, but could never engineer the vital extra man despite the colossal efforts of their full-back Hindmarsh.

France looked the complete team even at this stage and without their first choice, Locks. There is an admirable base at the set scrum but the key to their success is the great working relationshp between the tight and loose forward ar[...] importantly the link [...] Rieves, Skrela and Bast[iat...] Astre.

So their play has a s[...] that gives the team a [...] options. Skrela and Rie[ves] not just quick to the br[eak;] they were also master[s ...] The debate between [...] and Astre is certain[ly ...] after this match w[...] indeed was astral in [...] Romeu was missed [...] is probably a better w[...] although he and San[...] tually got together w[...] Aguirre who was the [...] the threequarters.

Hare boosts Leicester

BY STUART ALEXANDER

THE PRODIGAL boot of full-back Dusty Hare was largely responsible for the defeat of his old club, Nottingham, when Leicester built up rather than forced a 19—6 victory over the home side.

He kicked three penalties and a conversion to add to two tries by Reeve and Wheeler but there was no disgrace in the manner of Nottingham's defeat as they put up a first-class display of both attack and def[ence.]

Nottingham had [...] at 6 points all, tha[...] by left-wing Coop[er...] by Haycox, who pl[...]ing and courageou[s ...] back.

Leicester, capt[...] campaigner Bob [...] often thrown out [...] by a Nottingham [...] up for a lack [...] determination an[d ...]

TENNIS — BY JOHN B[...]

Barker's chance to go one better

SUE BARKER confirmed her status as Britain's second best woman player when beating a challenger for the position, Michele Tyler of Kent, 6—4, 6—2 in the final of the Slazenger tournament at Torquay on Saturday.

She has the chance to go one better this week at the Royal Albert Hall where she is seeded to meet Britain's No. 1, Virginia Wade, in the semi-final of the £10,000 Dewar Cup.

Top seed in the women's section of this well-established autumn tennis feast is the world's outstanding player, Chris Evert, who is seeded to meet her compatriot, Rosie Casals, in the other semi-final. There are seven British girls in this strong field which should help to sort out relative form for the end of season rankings.

The £60,000 Dewar Cup for men has the left-handed Spaniard Manuel Orantes as top seed—a position that cannot be challenged following his three successive tournament wins in the past three weeks in Tehran, Madrid and Barcelona.

Mexico's Raul Ramirez is cast as his final round opponent—though David Lloyd, the men's winner of the Slazenger tournament last week will doubtless have other ideas when they meet in the first round.

There will be eight British men challenging for the Dewar title this week and to-night Buster Mottram opens the programme against the No. 4 seed Arthur Ashe, the Wimbledon champion of 1975. When they last met in the Nations Cup 18 months ago in the West Indies Mottram scored a surprising win. Supporters of this controversial and talented young player will be hoping for a repeat performance.

Mark Cox and John Lloyd, who together with John's brother David Lloyd will undertake Britain's challenge for the King's Cup early next year, are the British players most likely to make an im[pact ...] John Feaver, [...] this week, ma[y ...] status when [...] seed Cliff Ri[chey ...] match of [...] morning [...] centre, [...] rounds [...]

RACING — BY DO[...]

Night Nurse tri[umphs]

THOSE WHO opted to go to Sandown instead of Haydock on Saturday had every reason to be thankful. Night Nurse and Lanzarote produced an outstanding race in the Marlow Ropes John Skeaping Hurdle.

These top-class performers, who are both in tremendous form, were always in close contention. It was apparent from fully half a mile from home that there might be a particularly hard-fought struggle.

Turning into the home straight, it appeared that the older Lanzarote, challenging to the left of the reigning champion, was goin[g] just the better. However, t[he] impression proved misleading. Paddy Broderick, had kep[t a] little up his sleeve and N[ight] Nurse, running on with [the] utmost gameness, just he[ld] his equally determined opp[onent] to whom he was concedi[ng ...] pounds.

Provided that Saturday['s gruell]ing race has not left it[s mark] on him, Lanzarote who h[...] getting accustomed to ju[mping the] green faced hurdle su[...] will meet in America, [...] more [...] liftin[g ...] St[...] scen[e ...] Cup [...] Nove[...] Lan[zarote ...] pos[...] for [...] £1[...]

TV Radio

† Indicates programme in black and white.

BBC 1

9.38 a.m. For Schools, Colleges. 10.45 You and Me. 11.00 For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Chigley. 2.01 For Schools, Colleges. 3.15 Anno Domini. 3.53 Regional News (except London). 3.55 Play School. 4.20 Deputy Dawg. 4.25 Jackanory. 4.40 Blue Peter. 5.05 John Craven's Newsround. 5.10 Go—USA. 5.35 Noah and Nelly in SkylArk.
5.40 News.
5.55 Nationwide.
6.50 Some Mothers Do 'ave 'em.
7.20 Angels.
8.10 Panorama.
9.00 News.
9.25 The Birth of Television starring Gracie Fields, Dinah Sheridan, Arthur Askey, Cyril Fletcher with television's original presenters in 1936.
10.55 To-night including The Kennedy Interview.
11.30 Signs of Trouble.
11.55 Regional News.

All regions as BBC 1 except at the following times:

Wales—1.45-2.00 p.m. Pili Pala. 5.55-6.50 Wales To-day. 6.50-7.20 Heddiw. 11.55 News and Weather for Wales.

Scotland—5.55-6.50 p.m. Reporting Scotland. 10.55-11.30 Public Account. 11.55 News and Weather for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55 Scene Around Six. 6.20-6.50 Land 'n' Larder. 11.55 News and Weather for Northern Ireland.

England—5.55-6.50 p.m. Look North (from Leeds, Manchester, Newcastle); Midlands To-day (from Birmingham); Look East (from Norwich); Points West (from Bristol); South To-day (from Southampton); Spotlight South West (from Plymouth).

BBC 2

11.00 a.m. Play School.
2.30 p.m. Worktalk.
3.00 The Caterers.
3.30 Politics Now.
7.00 News on 2 Headlines.
7.05 Knitting Fashion
7.30 Newsday.
8.10 Dave Allen At Large.
9.00 I, Claudius.
9.50 Horizon.
10.40 One More Time!
11.10 Late News on 2.
11.20 Closedown: Joy Parker reads "An Abandoned Palace," by Elizabeth Jennings.

LONDON

9.30 a.m. Schools Programmes. 12.00 Chorlton and the Wheelies. 12.10 p.m. Rainbow. 12.30 Musical Triangles. 1.00 News plus weather, FT index. 1.30 Lunchtime To-day. 1.30 The Cedar Tree. 2.00 Good Afternoon. †2.25 Monday Matinee: "Traitor's Gate," starring Albert Lieven. 3.50 Emmerdale Farm. 4.20 Clapperboard. 4.45 Nobody's House. 5.15 Batman.
5.45 News
6.00 To-day.
6.45 Opportunity Knocks!
7.30 Coronation Street.
8.00 George and Mildred.
8.30 World In Action.
9.00 The Sweeney.
10.00 News.
10.30 Sez Les.
11.00 Musical Triangles.
11.30 The Streets of San Francisco.
12.25 a.m. Close: Rosemary Simonds reads extracts from "Love Reaches Out," by Ulrich Schaffer.

All ITV regions as London except at the following times:

ANGLIA

10.37 a.m. Survival. 12.30 p.m. Meet Marie Gordon-Price. 1.25 Anglia News. 2.00 Houseparty. 2.25 Monday Matinee: "My Darling Daughter's Anniversary." 4.20 The Romper Room. 4.45 Nobody's House. 5.15 Supersonic. 6.00 About Anglia. 10.30 Lifestyle. 11.00 Mystery Movie: Tenafly. 12.25 a.m. Reflections.

ATV MIDLANDS

12.30 p.m. The Amazing World of Kreskin. 1.20 ATV Newsdesk. 2.25 Mystery Movies Matinee: Hawkins. 5.15 Supersonic. 6.00 ATV Today. 10.30 Platform for Today. 11.15 Police Story. 12.10 a.m. Richard Hamper: People I Remember: "Stuart Blanch."

BORDER

12.30 p.m. Farmhouse Kitchen. †1.20 Border News. 2.00 Houseparty. †2.30 Monday Matinee: "Men are Not Gods," starring Miriam Hopkins and Rex Harrison. 5.15 Supersonic. 6.00 Border News and Lookaround. 6.15 Cardock Way. 8.00 Lucky Feller. 10.30 The Best of Upstairs, Downstairs. 11.30 The Protectors. †12.00 Border News Summary.

CHANNEL

12.20 p.m. Channel Lunchtime News and What's On Where. 2.25 Mystery Movie: Columbo. 5.15 Supersonic. 6.00 Channel News and Weather. 6.10 The Beachcombers. 10.30 Walking Westward: Lundy, part 2. 11.00 Police Woman. †11.55 Channel Gazette followed by News and Weather in French.

GRAMPIAN

12.30 p.m. Galloping Gourmet. 1.20 Grampian News Headlines. 2.25 Boney. 3.20 Farmhouse Kitchen. 5.15 Supersonic. 6.00 Grampian Today. 6.05 Happy Days. 10.30 Monday Movie: "The Moving Target," starring Paul Newman, Lauren Bacall and Janet Leigh. 12.25 a.m. Evening Prayers.

GRANADA

12.30 p.m. The Galloping Gourmet. 2.25 Monday Matinee: "All My Darling Daughters," starring Robert Young. 3.45 Betty Boop. 5.15 Supersonic. 6.00 Granada Reports. 10.30 Phyllis. 11.00 Reports Politics. 11.30 Ryan.

HTV

12.30 p.m. Wait Till Your Father Gets Home. 1.20 Report West Headlines. 1.25 Report Wales Headlines. 2.00 Help Yourself. 2.25 The Monday Matinee: "The Betrayal," starring Dick Haymes. 5.15 The Muppet Show. 6.00 Report West. 6.22 Report Wales. †10.30 Bogart! "Action in the North Atlantic," starring Humphrey Bogart.

HTV Cymru/Wales—As HTV General Service except 1.20-1.25 p.m. Penawdau Newyddion Y Dydd. 2.00-2.25 Hamdden. [illegible] HTV West—As HTV General Service except [illegible] Report West Headlines. [illegible]

SCOTTISH

[illegible]

SOUTHERN

[illegible]

TYNE TEES

[illegible]

ULSTER

[illegible]

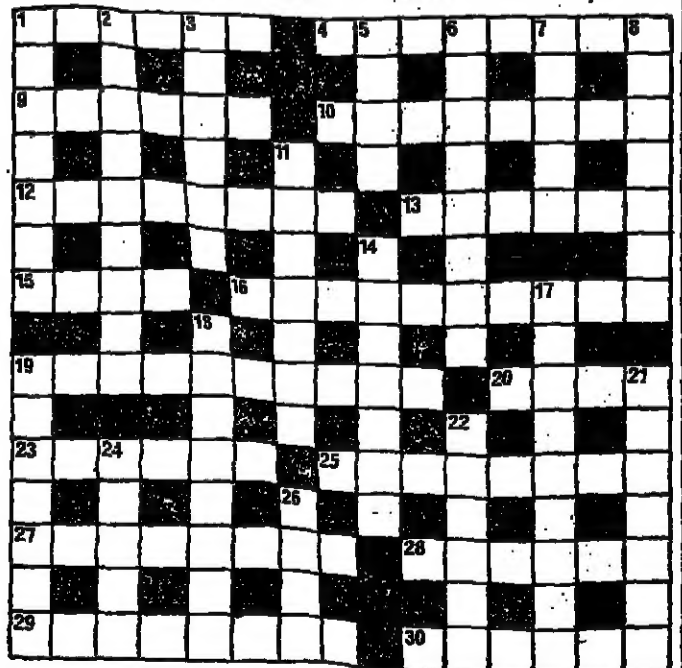
WESTWARD

[illegible]

YORKSHIRE

[illegible]

F.T. CROSSWORD PUZZLE No. 3,223



ACROSS

1 Divide by denomination, we hear (6)
4 No hot dogs for the nervous (4, 4)
9 "For this the —— Muse first trod the stage" (Pope) (6)
10 Once Van Diemen's Land (8)
12 Met Green upset on the way out (8)
13 Learner leaves fuel to start a fire (6)
15 Commander's return in legend (4)
16 Doubling up with a bird before the storm (10)
19 Firm guidance given to a dog-handler (6, 4)
20 Allurement for the with it bachelor (4)
23 Indian finds father in pain (6)
25 Mavis might make a short let (8)
27 The ready place to realise (4, 4)
28 Fashionable clothes for one ready to drive off (2, 4)
29 People of distinction but there are no lists for them (8)
30 Prelude includes tea for the time being (3, 3)

DOWN

1 Sound fights for the college accounts (7)
2 Champion from South Carolina is the one to clean things up (9)
3 To fawn is little credit to the dean (6)
5 A familiar figure in the cricketing world (4)
6 Injurious for a mother getting on in years (8)
7 Boredom for French and English alike (5)
8 Provided easy flight for an intrepid youngster (7)
11 Involves a silent arrangement (7)
14 The Case of the Ambassador's Staff (7)
17 An American may find it flat in Britain (9)
18 Corn takes a ride (2, 3, 3)
19 What a striker perhaps does to restrain evil (5, 2)
21 See them about the mineral proposition (6)
22 "Sits the wind in that ——" (Much Ado) (6)
24 We see a chap in art come to nothing (5)
26 Geographical feature connected with man and dogs (4)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

RADIO 1 247m

(S) Stereophonic broadcast

6.00 a.m. As Radio 2. 7.00 Noel Edmonds. 9.00 Tony Blackburn. 12.00 Paul Burnett including 12.30 p.m. Newsbeat. 2.00 David Hamilton (S) (also on VHF). 4.30 It's D.L.T. OK! 5.45 Newsbeat. 6.02 John Dunn (S) (joins Radio 2). 11.00 John Peel (S) (also on VHF). 12.00-12.05 a.m. As Radio 2.

RADIO 2 1,500m and VHF

6.00 a.m. News Summary. 6.02 Colin Berry (S) including 6.15 Pause for Thought. 7.02 Terry Wogan (S) including 8.27 Racing Bulletin, 8.45 Pause for Thought. 9.02-11.30 Pete Murray's Open House (S) including 10.30 Waggoners' Walk. 11.30 Jimmy Young (S). 1.50 p.m. Sports Desk. 1.55 Good Listening (VHF). 2.02 David Hamilton (S) as Radio 1, but including on 1500m only (also 202m Scotland), 2.45 and 3.45 Sports Desk. [illegible]

RADIO 3 464m, Stereo & VHF

[illegible] Concert, part 2: Brahms. 1.00 News. 1.05 BBC Lunchtime Concert (S). 2.00 Matinee Musicale (S). 3.00 Organ Music (S). 3.40 French Music (S). 4.20 Song Recital (S). 4.55 Bandstand (S). 5.25 Acarah's Music Box (S). 5.45 Homeward Bound (S). 6.05 News. 6.10 Homeward Bound (continued). 6.30 Lifelines: Home and Family. 7.30 "The Jewels of the Madonna," opera in three acts by Wolf-Ferrari, Act 1 (S). 8.25 War: A Miscarriage of Civilisation. 8.55 "The Jewels of the Madonna," Act 2 (S). 9.45 Interval Reading. 9.50 "The Jewels of the Madonna," Act 3. 10.30 Byrd and Le Jeune (S). 11.25-11.30 News.

RADIO 4

434m, 330m, 285m and VHF

6.20 a.m. News. 6.22 Farming Week. 6.40 Prayer for the Day. 6.45 To-day. 7.00 News and more of To-day, including 7.25 (VHF) Regional News, 7.45 Thought for the Day. 8.00 News and more of [illegible]

BBC Radio London

206m and 94.9 VHF

[illegible]

London Broadcasting

261m and 97.3 VHF

[illegible]

Capital Radio

194m and 95.8 VHF

[illegible]

مكتب من الأهل

…ropolitan Opera, New York

Figaro, Trittico

by ANDREW PORTER

…garo, revived on the fourth … of the Metropolitan season, … Günther Rennert production … last year, staged now by …e Berkowitz and Bruce …nell, and rather calmer than …was. Evelyn Lear, the …ntess, no longer set about … seduction of Cherubino in … 2. (She was also in better, …gh not really in good voice.) …om the earlier cast the …sanna and Figaro, Judith …egen and Justino Diaz, also …main. Miss Blegen was delight… Felsenstein himself could … have asked for a more alert, …tural, and "true" Susanna. …e voice may be small, not …lly full enough for the role, … alone strong enough for the …t, but it is so clearly and …urately focused that it carried …ll. Through Miss Blegen's …s one could follow the action …if it were happening for the …t time. Every phrase told, … nothing was exaggerated or …tine. Diaz, looking even …nger than when I first saw … do the role, twelve years …, played and sang with easy …ng confidence.

…he other two principals were …v. Maria Ewing, who was at

The Entertainment …uide is on Page 11

…ndebourne a season or two …, made her Met début as …erubino. (A few days earlier … had been singing *Wunder…n* and Rückert songs for the …ilharmonic's "Mahlermonth," … Carnegie Hall.) She is a …mising young mezzo of warm, …k *timbre*, wide-eyed, broad…ecked, and attractive. Richard …lwell's Count, cleanly and …shly voiced, had not quite …d the cheerfully plebeian …nners imposed on him by …tz Friedrich's farmyard pro…ction of *Figaro* for the 1974 …lland Festival.

Leopold Hager, from Salzburg, …nducted. Where Steuart Bed…rd, last year, had been un…countably brisk and unfeeling, …ger led a very light, under…ted reading. In both per…rmances, the marvels of the …ore passed by too little …marked, but what in Bedford …ere sins of commission were … Hager sins of omission: where …e one had driven hard and …raight through the instru…ental and harmonic details, … other slipped over them. It …as altogether a somewhat …dersung and (except by Miss …legen) undercharacterised …rformance. Although the …aller parts were well done (Andrew Foldi was a ripe Don Bartolo, and Jean Kraft as a dignified Marcellina; only Andrea Velis's Don Basilio verged on caricature), the drama of Mozart's opera was unrealised.

The next day, James Levine, the musical director of the company, made his first appearance of the season, conducting the revival of *Il trittico*. Cornell MacNeil, a powerful Michele and an entertaining, resourceful Schicchi, remained from last season's cast, and was excellent. He goes from strength to strength. The voice is robust, steady, centred, more even and reliable than Sherrill Milnes's has been lately; a decade ago he was a rather stolid interpreter but now there is a kind of fiery power in his utterance. The other principals were new and were for the most part oddly cast. Hildegard Behrens, Covent Garden's Leonore, a well-schooled, straightforward soprano, made an awkward, dowdy Giorgetta—curious role to choose for her début here. Josella Ligi, a spinto who sings Amelia at La Scala and Maddalena in *Andrea Chénier* in San Francisco, made her Met. début not as Angelica but as Lauretta, for which she sounded too warmly mature. The audience burst in with its applause before she had reached the end of "*O mio babbino caro.*" Angelica was Teresa Zylis-Gara, an admirable and distinguished soprano, but unsuited to this role. At first, her restraint was interesting, but she was so determined not to become sentimental that she ended by being unmoving.

Gianfranco Cecchele's local début, as Luigi, was unimpressive; the voice seemed to remain on-stage, never broke free. Neil Shicoff, a young City Opera tenor, made his Met début as an ardent, almost over-energised but winning Rinuccio. Two veterans reappeared. Italo Tajo was perfect, and self-effacing in the tiny role of Talpa. Fedor Barbieri was embarrassing as the Princess, booming out *tutta forza* on the notes that are left her, curdled and threadbare above them. As Simone and Zita, the old pair in *Gianni Schicchi*, both of them overdid things.

This season the Met has abandoned its "snake," that long strip of paper announcing forthcoming casts, in favour of a Covent Garden-style "throw-away:" and on that throw-away it says: "If you can get to the Met only once this fall, make sure you experience the *Trittico*." Bad advice. The production, by Fabrizio Melano, in settings by David Reppa, misses all the fine detail of Puccini's craftsmanship. *Il Tabarro* will pass. *Suor Angelica* is drab and bleak (no pretty Covent Garden, but apparently a women's prison in the desert), and *Gianni Schicchi* is horribly vulgar. Levine, similarly, seems to have little feeling for the fine Debussian and Straussian finesses of the score. *Il trittico* should be, on the one hand, three exquisitely played tone-poems, enchantingly decorated for the eye by the producer and the designer, and, on the other, a wallow in passion, then pathos, and finally delicate, fizzy comedy.

Josella Ligi and Neil Shicoff

Festival Hall

Philharmonic Concerto

by GILLIAN WIDDICOMBE

Malcolm Arnold plays the orchestra like a pack of cards in his latest symphonic work, *Philharmonic Concerto*. It is a 17-minute, three movement work in which orchestral suits and colours are dealt with concision, wit, fluency, and light-fingered skill. Commissioned for the London Philharmonic to take on tour, and given its world première yesterday afternoon at the Festival Hall, it successfully displays Arnold's individualistic flavour of sad-sweet, melancholic bluster; there is diversion, novelty, but there is nothing that might be thought disagreeable in, say, Padstow or Philadelphia. The concerto will be played nine times on the LPO's American tour, opening in Chicago next Sunday.

Arnold is at his best in works of this modest duration. (His larger pieces seem to fall short because he evades the earnestness needed to sustain symphonic form.) Like the Second Flute Concerto (played at Aldeburgh a couple of years ago), the *Philharmonic Concerto* has a slapdash last movement—in this case its brevity is absurd. But the first movement, a longish Intrada marked Vivace, is a masterpiece of orchestral conversation; and the central Aria is deliciously written to show off both individual and sectional parts of the orchestra.

Not surprisingly, Arnold opens with the brilliant clatter of full orchestra in cymbalic good-humour. Soon the strings establish a suave thematic episode; the melody does not nudge, but resembles an acidic remark read with a smile. (Unashamed of his facility as orchestra, Arnold butters that idea up with a triangle.) Soon the woodwind take over, and the pattern of the movement is fairly predictable. The second movement opens with solo viola and harp, always a soulful mixture; it spreads and develops, around the orchestra, through lush divisi strings, then down to one of those bleak, Shostakovich-like solo flute episodes, and a brief conclusion.

Though the piece was commissioned to celebrate the U.S.A. bicentenary, Arnold avoids Americanisms. (Or so it seems, on first hearing: if you took the piece apart, I'm sure you would find him privately joking.) Apart from general deftness, the concerto has two special virtues. First, there is more energy, more sense of purpose than in many of Arnold's works, the Opus numbers of which now reach 120. Secondly, the scoring is perfect, in that each thematic idea, remark, or exchange belongs inimitably to the instrument chosen. Even the slightest woodwind counterpoint is so well blended or balanced that it and harp, always a soulful mix- catches the ear easily. Nowadays such expertise is rare.

The Arnold was conducted sensitively and brightly by Bernard Haitink, and played with evident relish by the LPO. (The odd moments of digital difficulty, mostly in whirlwind string passages, will obviously settle with familiarity.) Haitink and the LPO then accompanied Ashkenazy in Mozart's C minor concerto, K 491. They used too many strings for my taste, creating mushy ensemble at the beginning of each tutti. But the performance was entirely dominated by Ashkenazy, in excellent form. His reading was dreamy and expressive, in that every note was approached like a special, poetic detail; but the details were contained within a small-scale, gentle conception, never inclining to crisp announcement or storming passion. He played his own cadenzas—effective and sensible.

Sadler's Wells Theatre

Belshazzar by ANTHONY HICKS

Belshazzar, written in 1744, is Handel's most ambitious oratorio. In all but name and certain formal details it is a mighty choral opera depicting the fall of Babylon under the joint assault of the invading Persian armies of King Cyrus and its own moral disintegration. Charles Jennens's libretto, though not always maintaining linguistic elevation, is structurally sound, preserves the unities of place and time, and extracts a coherent story from the often conflicting sources of the Bible, Herodotus's *History* and Xenophon's *Cyropaedia*. The music is vivid and closely matched to the drama. Jews, Babylonians and Persians each have a distinct choral style and the solo characters are broadly and sympathetically portrayed. While Handel, drawing on his full matured powers, had not over-reached himself, he had far outstripped the concept of oratorio as understood by his audiences—and their successors almost to the present day. With out a famous "hit" to its name (a tribute to the integrity of the work) and lacking a convenient and accurate performing edition *Belshazzar* has been shockingly neglected, leaving significant aspects of the composer's genius unexplored.

The new Handel Opera Society production is therefore not to be missed; what is more, it is a most worthy realisation of the oratorio in both musical and dramatic terms. Producer Christopher de Souza has taken his responsibilities seriously, and indulged in no gimmicks. Wherever possible each scene is dovetailed into the next, allowing the drama to sweep on unimpaired. He has encouraged the singers to take time over the plain recitatives, so that the story unfolds clearly. At just a couple of points he has fallen to a syndrome endemic to Handel oratorio staging—giving the chorus Something To Do. Fortunately some rather awful spear-waggling and hand-waving in the first Persian chorus turns out to be untypical.

John Otto's standing set of gaunt stone blocks at either side of the stage, varied by different combinations of hanging strips, serves well for the first act, though there is a sense of constriction as the evening wears on. The tricky problem of the writing on the wall is not quite happily solved: the Hebrew letters, garishly lit from behind, pop out like a sign at an Israeli fairground. At the end all yields to ethereal blue as Cyrus promises a new era for Bablyonians and Jews—a scenic cliché nowadays, but still a telling complement to the serenity of the concluding music.

Strong casting of the two most important roles is a vital element in the production's success. The wise queen Nitocris, presiding spirit of the oratorio, is powerfully sung by Pauline Tinsley. Her alert responses to the shifting moods of her great opening soliloquy on the rise and fall of empires are an apt epitome of what follows. That most promising mezzo Anne Wilkens (Cyrus) is the other star performer, voice firmly focused, diction impeccable; the narration of Cyrus's dream is thrilling. To the title role Ramon Remedios brings fine ringing tones and a good stage presence, enough to outweigh the heavy weather made of the more florid moments in his part. Countertenor Richard Hill makes a pleasant-sounding, but dramatically tentative Daniel.

Most regrettably the main vocal deficiencies of the evening lie with the Society's Chorus. It is hard to say this, for there cannot be a more devoted and diligent amateur group in the country, but one can only report that the splitting necessitated by having to play three separate choral roles has led to sadly impoverished tone, especially in middle parts. Visually they are not helped by ugly and insufficiently distinctive costumes. (Nothing they wear, however, is as absurd as the Cherubino outfit provided for Cyrus appropriate only to Miss Wilkens' trim figure.)

The whole performance is sustained on the bed-rock of the accompaniments of the specially constituted chamber orchestra under Charles Farncombe. Tempos are convincing throughout, and the sharp timing of the accompanied recitatives, among the glories of the work, is particularly remarkable. *Belshazzar* has received its due—a presentation bringing music and drama into a compelling unity.

Arts news in brief

The RSC's 1976 Stratford season at the Royal Shakespeare Theatre has been extended by one week. The season will now end on Saturday, January 29, 1977. The extra week (January 24-29, 1977) will include two performances of *Romeo and Juliet*, two of *King Lear* and three of *The Comedy of Errors*. Prices for this week are to be lower than usual—from £1.00 to £3.50.

★

Chambers the publishers announce a new series of annual awards for Scottish authors. Three annual awards of £1,000 each will be offered—for a work of fiction, a work of non-fiction, and an illustrated book for young children. The awards are open to writers born in Scotland, of Scottish parentage, resident in Scotland, or writing on a distinctively Scottish theme.

Authors (whose manuscripts must be submitted by April 30 next year) should apply to the publishers for details.

…range Tree, Richmond

Poor Tom

The best part of Sam Walters' …oduction of David Cregan's …ew short play is the organisa…ion of communal life in a Man…hester lodging house. The …ntral character, Tom, is a …tle man who has been thrust … an over-weaning mother and …s own shortcomings into the …le of victim of society. Accost…g his unsympathetic landlord … search of 15p to keep the gas …ing, he discovers that Mr. …oskell is about to sell up and …end his profits in Eastbourne. …hile his fellow-boarders bicker …out what should be done, …couraged by the absurd agit…op of theoretical Marxist in … anorak, Tom kills Roskell …ith a breadknife and is …serted by his colleagues in the …ce of the morally righteous …ces of law and order.

About a year ago, this same …eatre gave us a luminous pro…ction of another Cregan short …ay about the attempt of a well…eaning but anachronistic …hool-teacher to keep pace with … system whose beneficiaries …ve left her standing. This resolved itself into a poignant philosophical dialectic between the teacher and a star renegade pupil. The issue raised by Mr. Cregan in *Poor Tom* is no less urgent, but the case of the suppressed tenant who is anyway a congenital incompetent fails because of a sentimental bias exercised on Tom's behalf. The murder itself is an act of both intellectual desperation and theatrical surprise. The play's resolution, showing Tom as a butt for the exercise of an inhumane judgement, overwhelms the meat of the play in favour of a predictable and feebly rhetorical exhortation, ironically spoken by the judge: "Unite. You have nothing to lose but your chains, and you have a world to win."

The chorus chimes in with a smiling epitaph that reiterates Tom's failure to compel the world to dance, and the play ends with a coy qualification from the hero: "At least, not yet." Hard times may be looming for the landlords of the world, but Tom, as created by Cregan, is hardly the man to herald them. He is much more effective as just one element in the generously depicted flotsam of a second-hand, second-rate conclave of inter-dependent roomers. As an outsider, Tom is an entertaining freak. As a symbol of political righteousness, he is dramatically absurd.

Despite these reservations, Mr. Walters' production achieves a fluidity and purpose that results in an enjoyable show. Peter Benson is suitably hangdog and sympathetic as Tom, a beaky, greying, flat-capped character of indefinite years and positive charm. A distinguished company includes Tim Pigott-Smith doubling as a whining, nervous inmate and a cocky, leather-jacketed visitor. One happy result of this economy is that the visitor arrives at the house bearing the crumpled remains of the same actor's alter ego when the action hots up. And there are telling contributions from Geoffrey Beevers as the moth-eaten landlord, Colin Farrell as the satirised activist, Sharman Macdonald as the girl who nearly saves Tom by teaching him to bake a cake and Stephanie Cole as the starchy, inevitable habituée of such dismal institutions.

MICHAEL COVENEY

Festival Hall

RPO/Swingle II

by NICHOLAS KENYON

The sound of French Impressionism is unmistakable and unalterable: a chord, a phrase (even out of context) is enough to identify and characterise the elusive musical world of Debussy and Ravel. It has no need of special pleading, as the easily flowing, idiomatic account of Ravel's *Ma Mère l'Oye* which opened this RPO concert showed—though Serge Baudo's flexible, at times over-impressionistic direction helped, as did clean, well-phrased solos from first flute and clarinet.

But into this rarified world, where sensuality and innocence mix without conflict, came last night the slickly sophisticated voices of Swingle II, breathing into their eight personalised and depersonalising microphones some Debussy and Ravel unaccompanied chansons, and joining the RPO in a performance of Ravel's *L'Enfant et les Sortilèges* which was not so much magical as surreal.

Debussy's *Trois Chansons de Charles d'Orléans* and Ravel's *Trois Chansons* are both part of that curious French medieval revival whose nostalgic nationalism parallels our own contemporary Tudor revival: the songs' musical language represents Impressionism at its sharpest and simplest. The Swingles, for all their accuracy, ensemble, and (electronic) balance, overlaid the music with a shiny tinsel surface which it was hard to hear through.

So it was too in the Ravel opera: the cheerful naivety of the composer's childlike inventiveness was all too often at odds with the Swingle's camp semi-production. There was all the difference in the world between the jokey, elbow-nudging humour of the cats' duet, and the fresh, unaffected orchestral scene-setting of the moonlit garden which followed. Some of the Swingles' voices showed real musicianship: Linda Hirst as a husky, frightened child was outstanding, and Olive Simpson as a brilliant Fire and Princess, Carol Hall as "La Tasse Chinoise," and David Beavan as a very solid tree all deserved better—but juggling with their hand microphones, minimal costume changes, exits and entrances in a tiny section of the Festival Hall stage, they looked only like a stranded cast of *Godspell*. Sorry, but the French Impressionists do not need trendifying.

St. John's, Smith Square

The Queen of Spades

by ELIZABETH FORBES

The Chelsea Opera Group has not tackled many Russian works in the quarter century of its existence, though much of that repertory offers magnificent opportunities to the chorus. In the last decade I remember performances of the two Mussorgsky block-busters and, about ten years ago, an enjoyable *Eugene Onegin*. Last night at St. John's, Smith Square, the COG gave the second of three performances of another Chaikovsky opera, *The Queen of Spades*. Both the major London companies had productions of this work in their repertories at one time; Covent Garden's is long departed, but perhaps the English National Opera could be persuaded to revive theirs, especially as several of the singers last night were ENO artists.

The Queen of Spades is not an easy work to stage convincingly, but paradoxically it came over with great dramatic force in a concert performance. Much of the credit for that should go to Roderick Bryden (who conducted the very successful COG *Khovanshchina*). He kept the pulse of the music strongly beating, did not hurry his singers, and encouraged the orchestra—especially the string section—to play with real feeling for Chaikovsky's always melodious, but sometimes anguished score. The chorus has an important part in the dramatic structure of the piece, and was in strong, flexible form, particularly the male voices, who helped to make the final scene in the gambling-rooms an effective climax.

A heavy burden lies on the shoulders of the tenor who sings Hermann, but Kenneth Woollam seemed to find the role congenial, and was able not merely to meet all its vocal demands, but to shade and colour his singing most expressively. He conveyed Hermann's growing obsession with gambling and the Countess's secret of the winning cards so subtly that the character's mental—and physical—disintegration was mirrored in his music. Tom McDonnell as the extrovert Tomsky provided an ideal foil for the gloomy protagonist, and sang his account of the Three Cards in the first act graphically and wittily. Patrick Wheatley invested Yeletsky's lyrical song in praise of Lisa with a smooth line and appropriately glowing sentiment.

Milla Andrew sang Lisa with sincerity, eloquent phrasing and, in quieter passages, an admirable evenness of tone; when she pressed on her voice it was apt to become slightly shrill. As the Countess, Johanna Peters created an amazingly complete portrayal of the haunted—and haunting—old woman by purely vocal means. Her singing of the air from Grétry's *Richard Coeur-de-Lion* was delightful. Grace Dives made such a good Pauline that I was most disappointed to find the masque of "The Faithful Shepherdess" (in which Pauline sings Daphnis) was omitted in London, though it will be included in next Saturday's performance at Southampton University.

OVERSEAS NEWS

India to postpone general elections by another year

BY K. K. SHARMA

NEW DELHI, Oct. 31.

THE INDIAN Government's decision to postpone general elections by yet another year and to prolong the life of the Lok Sabha (lower house of Parliament) until March 1978 has been criticised by most opposition parties with the exception of the Communists.

The decision which was expected to be announced next month, was taken on Friday and announced to Parliament by the Law Minister H. R. Gokhale yesterday to end the recent speculation on the matter.

Mr. Gokhale told the Lok Sabha yesterday that the time was not ripe for the country to go to the polls now and that he would introduce a bill shortly to extend the life of the House by another year. The Lok Sabha's five-year term ended last March and the move will mean that its life will be extended by two years.

The House is presently sitting in special session to consider the 59-clause Constitution Amendment Bill which, among other changes, seeks to increase the normal life of the House to six years in place of the present five years. Although the present House is to get a seven-year term, Mr. Gokhale has rejected an amendment seeking to make the normal life of the Lok Sabha seven years.

Mr. Gokhale said: "The time, though ripe for the Congress Party, is not ripe for the country to go to the polls." He denied that the ruling Congress was afraid of elections but "We have to consider the impact of the elections on the economic situation, the political situation and on the destructive forces that we are trying to subvert."

It is learnt the Government has decided to postpone elections to legislatures in 17 of the country's 22 States where they are due next March, and their life is also to be prolonged by a year. But the Prime Minister, Mrs. Indira Gandhi, has said that elections should not be postponed for long "otherwise the people might lose interest in them." She added "while we did not have Parliamentary elections we have had Panchayat (village councils) and other elections."

Yesterday Mrs. Gandhi told a conference of police inspector generals and Home Ministry officials that much of the calm resulting from the imposition of the state of emergency in June last year had been eroded.

Pakistan uprising—'300 killed'

PESHAWAR, Pakistan, Oct. 31.

BETWEEN 250 and 300 people are reported to have been killed in an uprising in a remote mountainous area of Pakistan's North-West frontier province, according to reliable sources here.

The Government sent warplanes, tanks and more than 10,000 troops to *crush* the ten-day revolt which broke out in Dir district, about 100 miles north of Peshawar, the provincial capital, last month.

Tribesmen, it was reported, were shot at point-blank range as they attacked Army tanks and armoured vehicles with axes, swords, sticks and stones.

The revolt climaxed the smouldering resentment of tribesmen against a Government take-over of valuable timber forests. Thousands of primitive tribesmen earn their living in the forests of the rugged valleys of Dir, a former princely State adjoining Afghanistan.

The Government has suppressed news of the uprising and given no casualty figures. The most reliable accounts gleaned from various Government, military and local sources in Dir said between 150 and 180 tribal people, including some women and children, were killed. Army casualties were 40 to 50 dead, according to these accounts. In addition, between 60 and 70 Government militiamen were killed. The total number of wounded was reported to be at least 600.

Political observers said the Dir revolt could be a setback to normalisation talks between Pakistan and neighbouring Afghanistan since Pathan tribesmen had been involved.

Afghan President Mohammad Daoud, who is a Pathan, could be expected to raise the Dir incident when Pakistan's Prime Minister Zulfikar Bhutto visits Kabul, probably at the end of November.

The uprising started on September 3, when militia forces fired tear gas to stop a protest march by about 2,000 Kohistani tribesmen in the Shriwbal valley, about 20 miles south of Dir town. The tribesmen were planning a traditional "long march," some 150 miles to Islamabad, the federal capital, to demand the repeal of legislation nationalising the forests of Dir.

Reuter

Loyalties shift in L. Saxony

By Nicholas Colchester

BONN, October 31.

ONLY a month after the West German general election, there has come the first concrete move towards a realignment of coalition loyalties between the three major parties. The Liberal Free Democrats in the state of Lower Saxony voted on Saturday to discuss terms for a coalition with the Christian Democrats. This could lead to an FDP-CDU government within that state, and put the Social Democrats into sole opposition.

Such a local shift of loyalties has been on the cards for a long time. It has its origins in a political upset in Lower Saxony in the spring, when the then coalition of Free and Social Democrats failed to elect a new State Prime Minister. The Conservative Christian Democrats thus installed Herr Ernst Albrecht as Prime Minister of a minority State Government.

Nevertheless Saturday's hard-fought vote within the local Free Democratic Party means that the CDU's hopes that the debacle in the spring would lead to the first crack in the solidarity of the governing national coalition have at last come true. If the talks in Lower Saxony lead to a local coalition it will mean that the coalition in Bonn—which is at this moment thrashing out the basis for further co-operation in the term of government which begins on December 14—is no longer mirrored by co-operation at state level.

PCI 'summit' rejected

BY DOMINICK J. COYLE

ROME, Oct. 31.

THE POWERFUL Italian Communist Party (PCI), with 34 per cent. of the popular vote and 229 of the 630 seats in the Chamber of Deputies, is now making a direct push for what amounts to a backdoor entry into the Government.

However, the ruling Christian Democrats are, in effect, rejecting the public plea of Sig. Enrico Berlinguer, the PCI's general secretary, for an immediate "political summit" of all Italian constitutional parties to deal with the present economic crisis.

This rejection must inevitably create problems for the Christian Democrat's Prime Minister, Sig. Giulio Andreotti, who knows that the survival of his present minority administration depends on the voting attitudes in Parliament of the Communists.

Sig. Andreotti this week-end has thus embarked on an extremely delicate task. He must somehow try to persuade the Communists that his Government wants and appreciates their support in tackling the many economic difficulties facing Italy, but at the same time he needs to convince his own Christian Democrats — and particularly the party's Right-wing — that he is not preparing to "do a deal" *with the PCI*.

Sig. Andreotti's own form of compromise is to reject the Berlinguer call for a political summit, but he is proposing instead that Parliament itself is the most appropriate forum for all parties to debate publicly his Government's austerity programme.

The Prime Minister has, however, suggested that bilateral talks with the various Opposition parties, including the Communists, would be opportune, although he is personally inclined to put the fate of his minority administration to a confidence vote when Parliament takes up the Government's economic programme, probably in the second week of November.

Egypt Minister to see Gromyko

BY MICHAEL TINGAY

CAIRO, Oct. 31.

MR. ISMAIL FAHMY, Egypt's Foreign Minister and Deputy Prime Minister, will fly to Sofia on Tuesday for talks with Soviet Foreign Minister, Andrei Gromyko, the semi-official newspaper Al Ahram reported to-day.

Relations between Egypt and the Soviet Union reached their all-time low earlier this year when President Sadat abrogated the 15-year Soviet-Egyptian treaty of friendship after only five years. Soviet observers here agreed that the meeting could usefully cover the reconvening of the Geneva Peace Conference, but were doubtful that anything further would emerge.

Meanwhile, the final results of the Egyptian elections will not be known until a series of re-runs are held on Thursday, when the only question will be how far the Independent candidates can erode the lead of Prime Minister Mamdouh Salem's Centrist group.

EEC fishing pact reactions

IRELAND

Unaltered aim for 50 mile limit

By Our Own Correspondent

DUBLIN, Oct.

THE IRISH Government is still prepared to veto fishing arrangements with non-EEC countries, such as Norway or Iceland, in order to get a 50-mile exclusive national limit. This is despite the agreement reached at the Foreign Minister's meeting in the Hague last week.

The Irish goal of a 50-mile limit, remains unaltered although the Foreign Minister, Dr. Garrett FitzGerald, expressed himself well pleased with the provision for expansion of the *Irish fishing industry in the* Hague agreement.

Under this the Irish catch would be allowed double over the next four years bringing it to 150,000 tons a year.

The first problem is to achieve this target, which will mean increasing the fishing fleet by 300 vessels, expansion of shore-based services and the creation of 2,800 new jobs, in the industry.

Dr. FitzGerald is confident, despite doubts even among some fishermen, that this target can be reached but this has not shaken his determination to achieve a 50-mile limit as well.

He described the situation on this issue as a stand off. "We have conceded nothing and nobody has given us anything," he said. The threat of an Irish veto when external arrangements come to be negotiated next year, remains the best, and probably only, chance of achieving the 50-mile limit.

NORWAY

Decision welcomed in Oslo

By Our Own Correspondent

OSLO, Oct. 31.

NORWAY welcomes the EEC decision to establish 200-mile EEC limits from January 1, and to begin negotiations with third countries about reciprocal fishing rights. Norwegian Government spokesmen have frequently said they were just as willing to negotiate with the Community as with the individual EEC members—the important thing was to get the talks started, so that agreement on reciprocal rights could be reached before the zones are established.

Norway's Minister for Fishing Limits, Mr. Jens Evensen, will head a Norwegian delegation that is due to meet the Commission on Wednesday. His deputy Minister, Mr. Arne Treholt, said to-day he felt there was now a reasonable hope that practical solutions could be found before the zones take effect.

He pointed out that since the EEC, like Norway, has chosen January 1 as the date for establishing the zones, both parties will be concerned to reach agreement before this date.

Mr. Treholt noted, however, that the Community has postponed a decision on the crucial issue of exclusive national fishing zones. This could complicate the negotiation of reciprocal rights for Norwegian fishermen, because the areas of particular interest to them are mainly within 50 miles of Britain's coast.

ICELAND

No urgency to speed negotiations

By Our Own Correspondent

REYKJAVIK, Oct. 31.

THERE is no air of urgency here to speed up negotiations on a reciprocal fishing agreement with the Nine. The Icelandic Government has been saying for the past weeks that it is willing to talk with the EEC regarding mutual fishing rights.

Contacts have already been made between Brussels and Iceland but a formal request for negotiations have not been received, according to officials here. The Icelandic Government has stated a number of times that the Community must first establish a common fisheries policy and then inform the Icelandic Cabinet what it can offer Iceland in return for rights for the British and West German deep sea fishing fleets to continue fishing inside Iceland's 200-mile zone.

Mr. Geir Hallgrimsson, Prime Minister, has said that Iceland will not negotiate a reciprocal fishing agreement if the EEC wants to include in the talks the question of trade and tariff treatment for Icelandic products inside the Community.

Iceland would like to secure continued access to the herring banks in the North Sea and rights to fish inside the forthcoming 200-mile limit off Greenland.

THE FOLLOWING is the text of the purported memorandum of a speech by Rhodesian Deputy Minister, Mr. Ted Sutton Price, at a meeting last October 7:

'Vorster is the bad guy'

The Rhodesian Front do not agree that Dr. Kissinger's solution to Rhodesia's problems is the best.

The communist influence in Africa is growing and America is worried about the saddle formed across Africa. America must react or lose by default. South Africa and Rhodesia are the plums of Africa . . . raw materials, Cape sea route, development.

America cannot support Rhodesia with a white minority government because of world opinion. If there were an acceptable government in Rhodesia, America would support this country with everything to combat communism except troops.

Vorster is the bad guy. The reason for the R.F. failure was because of pressure put on Rhodesia.

U.S.$60m. exports are in the pipeline rising to $100m. by December. Without these exports moving, the government could not support an agricultural crop next year.

Fifty per cent. of the Rhodesian defence bill was paid by South Africa up until June. A reply has not been given since then as to whether they would support it for a further year. There has been a delay on war items for as long as 2½ years.

Congestion

The railway system is moving very few goods—reported congestion. The border was closed over the period of the Kissinger talks 1-4 days. Fuel supply down to 19.6 days. It is difficult to prove these facts as we cannot afford to antagonise South Africa by exposing her.

The Prime Minister has considered appealing to the South African public over Vorster's head, but did not have enough time.

Against this background they had no alternative but to accept the Kissinger package deal.

Saying no would have meant fighting a rearguard action to Beit Bridge (the border with South Africa). They had done the responsible thing in accepting the deal.

Kissinger deal: set up an interim government and would have two years to sort out the consititution, after which majority rule. Not seen as one man one vote. America understands the problem better than the U.K.

Parliament would go into recess and not be dissolved. If the agreed consititution was not liked after two years, parliament could reject it.

At worst we would be in a better position to fight the war than at *present. We would* have . . . two years' trading on an open market. Revive the economy with the two billion development fund. Two years to build up arms and war materials and the armed forces. The market for recruiting into the forces would be widened.

R.F. still stands for equal opportunity for all races, civilised standards, stable government, permanent home and maintenance of law and order.

Two billion development fund set up to try to keep the whites here, on a sliding scale.

U.K.-Germany defence talks

By Malcolm Rutherford

MR. FRED MULLEY, the British Defence Secretary, goes to Bonn to-day for talks with his West German counterpart, Herr Georg Leber. Although it is firmly denied on both sides that the two men will discuss the foreign exchange costs of maintaining the British Army of the Rhine (BAOR), the subject is bound to come up indirectly in the wider context of the future expenditure requirements of the European end of the Atlantic Alliance.

The Germans are likely to prefer some new system of burden-sharing rather than another bilateral agreement with Britain such as the one *which expired at the end of* March and which the Germans think still smacked too much of occupation costs.

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Major success in Iran for Foster Wheeler

BY RAY DAFTER, ENERGY CORRESPONDENT

FOSTER WHEELER, the U.K. arm of the international process plant group, is planning to build up its Iranian operations following the award of contracts worth over £30m.

The Reading-based group is currently involved in six Iranian projects which, when completed, will cost several hundred million pounds.

In most cases Foster Wheeler will be acting in a service capacity, as designers, planning consultants, supervisors or co-ordinators. However, its fired heater division is designing and supplying 30 heaters for a new oil refinery at Esfahan.

The other projects involve gas compressor stations and a natural gas liquid recovery unit, a steel complex, an aromatics complex, de-salters and a gas re-injection plant.

As a result of the Iranian business, Foster Wheeler Adibi Engineering, a consulting engineering subsidiary owned with Ali Adibi Associates of Iran, is planning to increase its labour force from 40 to perhaps 100 within the next 12 months.

Iranian contracts now account for about 25 per cent. of Foster Wheeler's business activities. Mr. Eric Williams, deputy chairman of the U.K. group and a vice-president of Foster Wheeler International says that while the company was looking for a "world-wide spread" Iran was regarded as a prime export market.

A team from the National Petroleum Company of Iran is currently in Reading in connection with the construction of an aromatics complex at Abadan. Foster Wheeler's involvement concerns front-end process design and commercial and planning consultancy.

Outside of Iran the U.K. company is involved in projects in the U.S., Canada, South Africa, Saudi Arabia and the Indian sub-continent. British projects include the major Sullom Voe oil terminal in the Shetland Islands and the £58m. Lindsey oil refinery conversion programme at Grimsby.

Air cargo service to Australia

By Michael Donne, Aerospace Correspondent

THE U.K. independent cargo operator, IAS Cargo Airlines, has been given permission by the Australian Government to fly regular all-cargo services between the U.K. and Australia, and will make the first flight this week with a DC-8 jet.

This new link will be the first regular low-cost air freight service between the two points, breaking the monopoly held hitherto by the scheduled airlines. IAS expects to be able to raise its frequency from one flight a week each way to two in the near future.

This week's flight, with a 40-tons payload, is full, mainly with books, chemicals, electrical engineering parts, and a computer as the main cargo.

Rates for the service will be from £1 per kilo upwards. The flights are subject to a minimum load of 3,000 kilos (about three tons) per shipper.

Mr. Alan Stocks, managing director of IAS Cargo Airlines, and Mr. Bernard Keay, general commercial manager, said over the week-end that the new service was a major breakthrough for air freight on the U.K.-Australia route.

It had been achieved by intensive lobbying by IAS Cargo Airlines. "We expect that the low cost, combined with the regularity of the U.K.-Australia services, will direct goods to air transport which have been carried traditionally by sea."

TRANSIT FEES

Turkey lightens the load

BY METIN MUNIR IN ANKARA

A LARGE number of states will benefit from reduced vehicular transit fees in Turkey once an agreement reached in principle between Turkey and Iran has been finalised.

A Turkish delegation, led by the ministers of finance and communications, is to pay an official visit to Tehran this month to sign the agreement negotiated during a recent visit to Ankara of the Iranian commerce minister, Mr. Manouchehr Taslimi. Officials here do not expect a last-minute hitch to occur.

Official sources told the Financial Times that Ankara will reduce transit fees levied on all lorries travelling to and from Iran. Tehran will find means to compensate Turkey for revenue losses thus incurred.

When the Turkish-Iranian Agreement takes effect trucking companies dealing with Iran will cut their Turkish costs. But the situation for traffic bound to, or from, other countries in the Middle East and the Gulf, like Iraq, Syria and Saudi Arabia, will not change. However, Turkish officials say that they are willing to consider Iranian-type deals with other states as well.

"What is important for us is to obtain the funds needed for our highways," explained a Turkish official. "How we get it is not so important."

Since over 60 per cent. of TIR lorries using Turkish roads are either bound to or originating from Iran, many international trucking companies will find the reduction a welcome relief, Turkish officials say.

The transit tolls were introduced last December, establishing three categories of payment: a $1 per 64 km/tonne charge; a fuel differential fee; and a levy according to the weight and size of lorries. Thus a 20-tonne lorry would be obliged to pay about $900 for a journey between Turkey's Bulgarian border in the West and Iran in the East.

Since transit had been virtually free before the tolls were levied, the impost came as a nasty jab to trucking companies.

Road repairs

Turkey defended itself by saying that the increasing volume of TIR traffic (10,000 lorries in 1972, 80,000 lorries in 1975) raised the Turkish highway bill of repair, maintenance and expansion to about $100m. a year. The Turkish taxpayer could not be expected to shoulder the burden of this traffic. "We thought it was fair that it should be shared by the trucking companies, which are making a profit, and by the receiving countries, which are certainly not starving," a Turkish official said.

As many as 18 European and Balkan States, including Britain, exchanged letters with Turkey accepting the new situation without much fuss. Iran and Bulgaria refused, putting Turkey under pressure.

Sofia is in a strong position because tens of thousands of migrant Turkish workers have to travel through Bulgaria to their jobs in the Common Market or to their holidays in Turkey. Bulgaria could make life difficult for these people by raising the already high fees for visa, transit and insurance, costing Turkish travellers about $30m.

Prime Minister Suleyman Demirel, facing critical elections in Turkey next year and unwilling to have extra grievances on his hands, granted Bulgaria "temporary relief." Last June Bulgarian lorries were exempted from the dues which are being "registered for future collection."

This gave Bulgaria, which has a large TIR fleet a big—and some would say unfair—advantage over other European companies. How long this "temporary" relief will last is not known. Turkish technicians say that Bulgaria will soon be asked to "clear its debts" but observers believe that the matter is political and decisions rest with Demirel.

Iran squeezed Turkey by freezing a $1.2bn. loan pledged to Ankara last year, mainly for the financing of communications improvement projects.

The details of the new Turkish-Iranian agreement have yet to be worked out and are kept a tight secret. Both the Shah and Demirel do not wish to appear to have climbed down. It is known, however, that Turkey will not lose money on the deal. The Shah has promised to release his loan and offered other benefits one of which, Turkish officials say, is the establishment of a joint trucking company

Sharp rise in Scotch exports

Financial Times Reporter

SCOTCH WHISKY exports in September made an exceptional 19 per cent. increase in volume and 37 per cent. gain in value, compared with September last year, to 9,593,000 proof gallons worth £45.74m., according to Overseas Trade Statistics just published.

This brings the year's nine-month running total of Scotch exports to 64,754,000 gallons worth £300.381m., increases of 3 per cent. in volume and 20.5 per cent. in value when compared with last year's period. This enlarged percentage value increase has been partly due to export price increases and also to the fact that bottled blends shipped to the U.S. are invoiced in dollars and the transference was made at the rate of $2.60 to the pound, in the main in 1972.

Shipments of malt whisky in bulk, for local mixing overseas, led the September increases and advanced 67 per cent. to 966,000 gallons and 51.67 per cent. to £2.131m. Bottled malt whiskies were next in rate of growth and rose 43.58 per cent. to 56,000 gallons and 48 per cent. to £527,000.

The battle between bottled and bulk blends was won by the bottled, which made a gain of 15.7 per cent. to 6,560 gallons and of 40.9 per cent. to £39.114m., while blends shipped in bulk rose only 8 per cent. to 1,880,000 gallons and fell back 0.13 per cent. to £3.823m.

Canadian incentives offer

BY PETER CARTWRIGHT

A "DOORSTEP" into the North American market for smaller and medium sized U.K. companies is offered through a new incentive sponsored by Prince Edward Island. This is Canada's smallest province, off the east coast within 30 minutes flying of Halifax and has above average mild climate.

Industrial Enterprises Inc., the public agency responsible for its industrial development is offering rent free factories with free heating and lighting plus grants and loans towards initial capital investment. Factories of 2,500 or 5,000 square feet, complete with office, are available rent free for a year with loans of up to 75 per cent. of capital equipment.

"We are keen to attract British and European companies with a growth potential in North America," Mr. Rex E. Grose, general manager of Industrial Enterprises Inc. said. "The factories," he added, "are ideal for those looking for a low-cost way of establishing their own manufacturing or assembly operations. There is good, stable labour on which to draw."

Shekell Mooring, of Shatterford (Worcs.) has been appointed to screen British applicants. "We are looking particularly for companies already selling into the North American market who could boost sales appreciably if they had a base for final assembly, finishing or servicing. The scheme is attractive for those companies which could ship critical compononets or units from U.K. and make the less critical ones on Prince Edward Island, saving shipping costs and duty."

Ingersoll Korean order

FINANCIAL TIMES REPORTER

THE U.K.-based international division of Ingersoll Manufacturing Consultants / Engineers (IMC/E) is to carry out the planning work for a large scale heavy manufacturing plant to be undertaken by Hyundai International at Changwon, South Korea. A preliminary estimate of investment in the project has been put at $190m., according to Korean business press reports. Work is expected to start early next month at Ingersoll's Daventry, Northants offices.

The Korea plant will produce steel manufacturing machinery, electric power generation equipment and chemical/petrochemical processing plants under licence from General Electric of the U.S., Mitsubishi Heavy Industries of Japan, and other companies.

The scheme is backed by the World Bank organisation's International Bank for Reconstruction and Development.

Japanese motor exports

TOKYO, Oct. 31.

JAPAN'S MOTOR vehicle exports in the first half of fiscal 1976 rose 42.2 per cent. from a year ago to 1,868,569 units, the Japan Automobile Manufacturers Association announced.

The total comprises 1,268,859 passenger cars, up 39.5 per cent. from the first half of last year, 591,113 trucks, up 49 per cent., and 8,597 buses, up 13.2 per cent.

Production in the last month of September totalled 296,959 units, up 31.6 per cent. from a year ago and up 1.8 per cent. from August.

● Fujitsu and its American affiliate, Amdahl, plan to set up a 50-50 venture, Amdahl International (A.I.), in Europe to market Amdahl's large-scale electronic computer systems to certain European countries and other markets. Details of the project including the capital, location and timing of the new company have yet to be determined. Fujitsu has a 30 per cent. stake in Amdahl. Reuter

CONTRACTS

● The Fairclough Group has won a £5.5m. contract to build a new berth in Mombasa Harbour, Kenya, next door to two berths also built by the group. The berth, will be 180 metres long and constructed of reinforced concrete. Scheduled to be commissioned in by mid-1978. Considerable dredging and reclamation is involved. There are provisions in the contract negotiated with Kenya's Ministry of Power and Communications, for options incorporating roll on-roll off facilities and extensions to the berth.

● The Hong Kong Government has placed an order for a dual processor ICL 2970, valued at £5m. This constitutes the largest computer order yet placed in Hong Kong.

● Degremont Laing has been awarded a £800,000 contract to supply plant for one of the world's largest induced draught re-circulating cooling systems being built in the Middle East. The plant is part of the Iran Fertiliser Company contract awarded to a joint venture formed by Hamon-Sobelco and Giltspur Engineering Consultants, which is worth more than £4m.

● A £750,000 order for electrical equipment from Romania has been awarded to Brush Switchgear, a Hawker Siddeley company.

● Isuzu Motors has reached a basic agreement with Thermo King of the U.S. on the supply of its diesel engines for use in refrigerated vans on a long-term basis.

World Economic Indicators

RETAIL PRICE INDICES

	Sept. '76	Aug. '76	July '76	Sept. '75	Change on year earlier %	Index base year
U.K.	160.6	158.5	156.3	140.5	14.3	1974=100
U.S.	172.6	171.9	171.1	163.6	5.5	1967=100
France	170.3	168.4	167.2	155.1	9.8	1970=100
W. Germany	139.1	139.3	138.9	134.6	3.3	1970=100
Holland	173.2	171.4	169.6	160.2	8.1	1969=100
Italy	204.7	201.1	199.6	174.3	17.4	1970=100
Belgium	159.6	157.5	156.9	145.9	9.4	1971=100
	Aug. '76	July '76	June '76	Aug. '75		
Japan	188.8	189.2	188.1	172.4	9.5	1970=100

Swedish trade deficit reduced

By John Walker

STOCKHOLM, Oct. 31

SWEDEN'S FOREIGN trade balance for the first nine months of this year showed a deficit of Kr.950m. (£135m.). This is a marked improvement compared with the deficit amounting to Kr.2.4bn. at the same time last year, according to the Central Bureau of Statistics.

Exports during the January September period this year rose by 12 per cent. to Kr.58.8bn. compared with Kr.52.4bn. in the same period in 1975. Imports were up 9 per cent. valued at Kr.59.8bn. compared with Kr.54.8bn. last year.

During September the trade was in balance while in August there was a deficit of Kr.750m. September exports this year amounted to Kr.7.6bn. compared with Kr.6bn. in the same month in 1975. During August exports amounted to Kr.6.1bn. and imports Kr.6.8bn.

Ministers consider lease scheme for Concorde

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE POSSIBILITY of U.K. collaboration with Europe on the development of civil airliners will be one of the main items on the agenda for to-morrow's meeting in London between Mr. Gerald Kaufman, Minister for Aerospace, and M. Marcel Cavaille, French Transport Minister.

Other topics will include the progress of the Concorde programme (and in particular the possibility of setting up a leasing arrangement for the seven aircraft remaining to be sold), and the possibility of a long-term study for a second-generation supersonic airliner.

M. Cavaille is expected to suggest that the U.K. participates in the design of the recently proposed French Mercure 200 medium-range subsonic airliner. Although it is not thought likely that Mr. Kaufman will make any commitment.

The U.K.'s ideal aim is to try to arrange a complete package of collaborative ventures including a 200-220-seat medium-range aircraft, a smaller 160-180-seater, and an even smaller short-range 100-seater.

Big markets are expected to emerge in all three categories during the next 10 years or so, and every manufacturer in the world is preparing designs to meet one or more of these requirements.

The U.K. is still discussing its own plans, not only with the French, but also with other European companies, the U.S. Boeing and McDonnell Douglas companies and also with the Japanese aerospace industry.

The Anglo-French talks, therefore, are part of the overall pattern of discussions, and are not expected to commit the U.K. to any specific partnerships at this stage.

It is becoming clear that in the airline industry's present financial situation few airlines if any apart from British Airways and Air France are likely to be able to buy Concorde, but many operators have expressed interest in the possibility of leasing.

Subsonic

One of the latest of these is Braniff of the U.S., which is interested in leasing an aircraft and operating it jointly in conjunction with British Airways across the North Atlantic to Washington and then taking the aircraft on subsonically from Washington to Dallas-Fort Worth in Texas.

This plan is expected to be discussed soon between Braniff and British Airways, but it is subject entirely to Concorde being allowed to fly into other American airports when the six-months' trial period on flights to Washington is completed next year.

Similiar interest in leasing is being shown in the Far East and South-East Asia. An Air France Concorde is due to leave London to-morrow for an extensive demonstration trip to Singapore, Manila, Hong Kong, Tokyo, and Seoul. The manufacturers are hoping that this will encourage several major airlines in the area either to buy outright or consider some kind of leasing arrangement.

So far the U.K. and French Governments have been reluctant to permit leasing, preferring to seek outright sales. They have felt that once they got into the leasing business they would be committed to it for all future Concorde disposals. It might also be regarded as an alternative for future sales of other Government-financed civil aircraft.

But if outright Concorde sales continue to be difficult to achieve, leasing may be the only answer. In such a case the two government's would probably make it clear that they would only be prepared to permit leasing for Concordes and that the technique was not to be regarded as establishing a precedent for the future.

On the question of any second-generation supersonic airliner, the most likely outcome of the talks is the authorisation of a long-term joint study of the political, financial, and technical possibilities of such a venture.

No decisions would be taken until the project had been completed and studied by both countries.

Successor to Concorde, Page 27

Rolls-Royce engine agreement near

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

ROLLS ROYCE (1971) is "fast approaching final agreement" with Pratt and Whitney of the U.S. on the design, development and manufacture of the new JT-10D engine. Sir Kenneth Keith, chairman of Rolls-Royce, told the Newcomen Society of America in New York late last week. He said he believed the JT-10D "will undoubtedly still be in world-wide operation well after the turn of the century."

Rolls-Royce participation in the JT-10D would involve it in 34 per cent of the engine's cost, with Pratt and Whitney taking 54 per cent, Motoren-und-Turbinen Union 10 per cent, and Fiat 2 per cent.

The cost of the Rolls-Royce partnership in the JT-10D might amount to as much as £150m. in the next ten years.

Sir Kenneth said he thought the next generation of aircraft would be about 200-seats in size. Airlines would be looking for substantial savings in operating costs, particularly fuel costs, and, "with ecologists looking over their shoulders, less noise."

The aircraft manufacturers were giving serious thought to the possibility of using in their new designs smaller-thrust derivatives of existing big engines, such as the proposed Dash 535 version of the Rolls RB-211.

"But this argument has not yet been fought out, and I think it very probable that the next decade will see the launching of one further new high by-pass subsonic engine"—by which he meant the JT-10D.

Stressing the Rolls-Royce determination to get a share in that development, Sir Kenneth said he believed all future major commercial aero-engines would be undertaken on a trans-Atlantic collaborative basis.

"By far the largest part of our civil market is here in the U.S., and the growth predictions for your market for the next 15 to 20 years are large indeed.

Rolls-Royce's total sales amounted to more than £650m. in 1975. More than 50 per cent. of this was exports, with £150m.-worth of business in the U.S. The company supplied engines to more than 230 world airlines and 82 armed forces, he said.

The company had a high degree of autonomy "and the Government does not interfere with our running of the business. Although I am a private enterprise man through and through I have as yet no complaints in that regard."

But Rolls-Royce found it more difficult raising money from the Government than it did from the banks.

"The company is specifically charged with operating on a strictly commercial basis, and the Government, as our banker, like any other financier, expects an adequate return on the capital employed.

VAT fears boost sales in the high streets

BY KEVIN DONE, INDUSTRIAL STAFF

FEARS OF an increase in the rate of Value Added Tax, allied to a belief that the inflation rate is unlikely to abate in the coming months, is leading to a boom in sales by High Street retailers.

London stores were this week-end also experiencing the added bonanza of a rush of Continental customers who were using a public holiday to visit the U.K. and cash in on bargain prices brought about by the falling rate of exchange for sterling.

Airlines and ferry operators reported a busy week-end, and more than 20,000 foreign visitors are estimated to have arrived in the capital on Saturday alone.

A long week-end in France, Belgium, Germany, Italy, Spain and Portugal provided the opportunity for many Europeans to combine a short holiday with a shopping trip.

Many London stores said they were experiencing exceptionally large numbers of overseas customers who had clothes and Christmas gifts at the top of their priorities.

For the British shopper luxury goods like colour TV sets and music centres were at the head of the rush, with sales up between 15 and 20 per cent. over the same period last year.

Curry's said: "We are experiencing quite buoyant sales, which don't make a lot of sense because food retailers are having a bad time. This means that some part of the family budget is being squeezed."

Most sales tend to be cash rather than credit. Fears are being expressed that the Chancellor of the Exchequer may well introduce a tighter squeeze on credit along with VAT increases.

Interpretation of the boom is complicated by signs that Christmas buying has begun earlier this year than in 1975.

Sales of smaller goods such as food mixers, toasters and kettles are now running about 15 per cent. higher than three months earlier, according to Woolworths, which also reports an unprecedented awareness by shoppers of any fluctuations in prices.

Good chance

For instance, after four price rises in only two months, jars of coffee are selling in dozens rather than singly, and Woolworths sales overall are at least 20 per cent. up on last year.

The boom is not confined to consumer appliances. Off-licences are also benefiting, though here confusion arises in distinguishing between the onset of Christmas buying and purchases being made for fear of VAT and duty increases.

Selfridges, Oxford Street, has seen general sales increases in the last two weeks of between 60 and 65 per cent. over the same period last year.

Mr. Peter Williams, the manager, said that home sales of items ranging from carpets and bedding to TV sets, and fridges have risen 100 per cent. in the last two weeks compared with the same period last year.

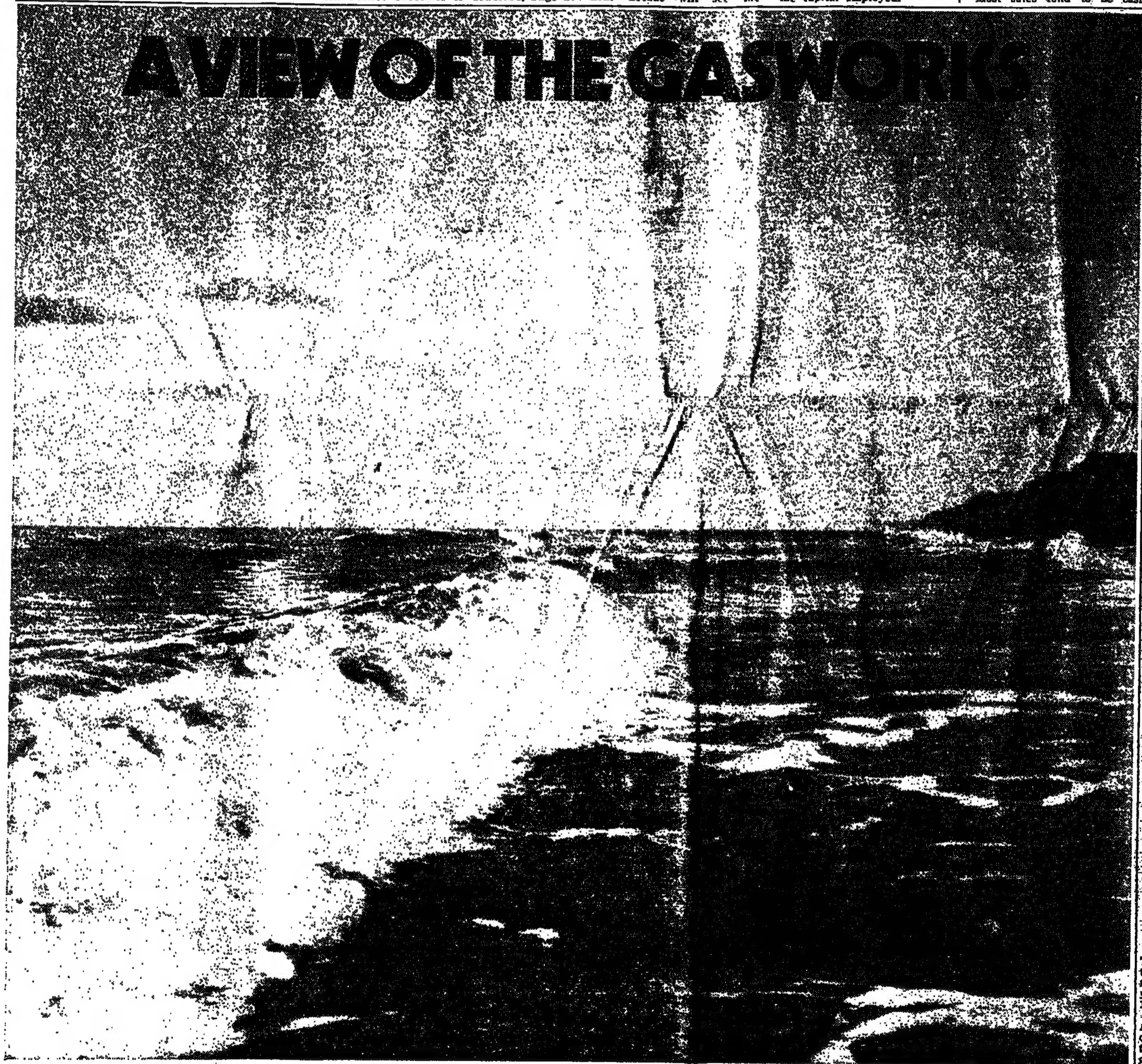
"There is a thought in people's minds that they might as well buy now as there is good chance that prices will be up soon."

The London Tourist Board reported that major problems had been encountered in finding sufficient accommodation for all the foreign visitors.

"Shopping is the first thing they ask about. It has become more of a tourist attraction than the Tower of London."

Mr. Robert Midgley, managing director of Harrods, commented: "The place is absolutely full of Continental shoppers. Our sales are well up and we are selling a lot of food and clothes."

At Dickins and Jones it was said that many foreign visitors had apparently come to London specifically to do their Christmas shopping.



Callaghan to stress industrial priority

BY ADRIAN HAMILTON

THE PRIME MINISTER is expected to reaffirm strongly the Government's determination to give priority to manufacturing industry when he chairs the meeting of the National Economic Development Council on Wednesday.

Apart from disclosing the Industry Department's intention of introducing a new investment incentive scheme, Mr. Callaghan is likely to assure industry and union representatives at the meeting of the Government's intention to see interest rates come down as quickly as possible.

His assurance comes at a time when the Treasury is already making preparation for action on indirect taxes, which could be presented as the main alternative to high interest rates as a means of funding down the public sector deficit.

Next Wednesday's meeting is officially due to review progress on the industrial strategy. But the broader economic problems of the country—particularly the problems of high interest rates, investment and unemployment—are bound to cause unions and industrialists to press the Government on these questions.

One of the items that the council is due to consider at the TUC's request is the joint CBI-TUC memorandum on imports and this could give rise to renewed union calls for quan[titative] imports controls.

The CBI, however, is likely [to] repeat its view that controls [on] the volume of imports shou[ld] be avoided and that what[is] needed is tougher selecti[ve] action within international rul[es].

The main item on the coun[cil] agenda will be a paper reviewi[ng] progress on the industr[ial] strategy. This is expected [to] summarise developments to da[te] broadly reviewing the Gove[rn]ment's response to the ma[in] recommendations put to it [by] the sector working parties [and] the next phases.

The sector working parties [are] making medium-term ass[ess]ments of market prospects [at] home and abroad, with the [aim] of contributing to the Treasu[ry] pre-Budget planning in the [new] year.

Also on the agenda is [a] report of the sub-committee [on] finance for investment wh[ich] has been investigating coun[ter-]cyclical schemes for investm[ent] after the Swedish model.

If the council has time, it [may] deal with a paper on the rol[e of] the nationalised industries [in] overseas contracts, recomme[nd]ing greater co-ordination [and] consortium bidding by the S[tate] corporations and their pri[vate] sector suppliers.

Romanian locomotives found to have defects

FINANCIAL TIMES REPORTER

THE FIRST 11 of 30 Romanian-built freight locomotives ordered by British Rail and just delivered are proving defective and are having to be stripped to their bogies.

This is part of a total order by British Rail for 60 of these locomotives, costing about £19m. The other 30 are being built in the U.K.

British Rail said that the order with Romania had been placed through Hawker Siddeley. Eighty per cent. of the components of both the Romanian and U.K. manufactured locomotives were British-made and the remaining 20 per cent., Romanian.

Defects had been discovered in the central axle of each bogie of the Class 56 locomotives. The other 30 of the class are being made by British Rail in [Don]caster.

Hawker Siddeley, accordin[g to] British Rail, had the respo[nsi]bility and would have to bear [the] costs of the repairs.

● British Rail is introducin[g a] "timetable recovery" involv[ing] delays on its London-Bed[ford] line from May next year.

British Rail has been wai[ting] for over a year for Governm[ent] authorisation of the electri[fica]tion of the line from St. Pan[cras] which carries about 25,000 c[om]muters a day. Delays in the t[ime]table will be necessary beca[use] trains will have to reduce sp[eed] where track modernisation [is] being carried out.

Plans for the £60m. electrifi[ca]tion of the line were put forw[ard] about a year ago but so far h[ave] not received Government ap[pro]val.

Home loan funds hint

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

THE FIRST official hint that the building society movement may not be able to repeat this year's lending programme during 1977 came over the week-end.

Writing in Building Society Affairs, Mr. Raymond Potter, chairman of the Building Societies Association, said that if the general level of interest rates remained exceptionally high, it might be difficult for societies to attract the same volume of funds as earlier this year.

Societies' net receipts have been much lower in the past few months than at the beginning of 1976, with monthly totals reaching only about £150m. a month against well over £300m. previously.

Fears are now widespread that, despite the societies' new interest rates, which come into effect today, the volume of net receipts will not rise appreciably and that the present level of advances of £500m. a month will quickly be reduced in the new year. The alternative is even higher interest rates.

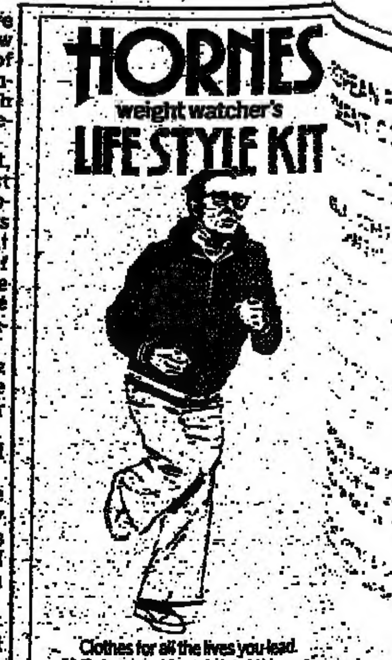
Until now, the official building society line has been that the movement as a whole next year expects to lend at least the £6bn. figure which will be achieved during 1976.

But individual societies have been quick to point out that they do not believe this figure is possible, unless a substantial and speedy reverse occurs in interest rate trends.

Talking of the lending prospects for 1977, Mr. Potter said that a great deal will depend on the confidence which foreigners placed in sterling in the coming weeks and months.

However, societies have recovered quite quickly from [the] serious problems they [had] encountered in early 1974, [and] the following year proved to [be] one of the best on record.

He gave no indication whet[her] societies would cut lendi[ng] levels or opt for a furt[her] increase in interest rates if [the] inflow of funds did not pick [up] over the next few weeks. [He] did, however, defend the rec[ent] big interest rate rises.



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HOME NEWS

U.S. airlines react angrily over Gatwick proposals

BY ARTHUR SANDLES

AMERICAN scheduled airlines are angry at attempts to divert some of their flights from Heathrow to Gatwick. The pressure has already provoked a storm of protest from tour operators.

The British Airports Authority recently announced changes in airport changes which will add an average £3.60 to the price of every seat in and out of Heathrow at peak times next year. The authority is worried by pressure at peak times and is trying to encourage airlines to move elsewhere.

Mr. Larry Langley, general manager of TWA in Britain who is in Athens for the Association of British Travel Agents convention which starts to-day, said London was one of the three most expensive airports in the world. The service it gave did not put it in the top three as far as passengers were concerned.

If American airlines were forced to use Gatwick British Airways should be forced to use Newark Airport on the American East Coast. It would then discover what life could be like if a transatlantic operator was not able to transfer passengers to connecting flights at the same airport.

Tour operators issued brochures some weeks ago with prices based on charges last July. They said they had been warned to expect a 15-20 per cent. rise in costs and had allowed for this. The increase is 200 per cent. at some times of the week. This places an unexpected strain on those companies which have guaranteed prices for 1977 and use Heathrow Airport.

The main British charter airport, Luton, is not owned by the Government and is not affected.

This may be the last ABTA conference in the present form. To-day, the Office of Fair Trading will tell the association that many of its rules are outside the present law on restrictive practices.

Stockbrokers forecast long period of stringency

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A LONG PERIOD of monetary stringency, possibly supplemented by the imposition of selective import deposits, is foreseen by stockbrokers Phillips and Drew in their latest monthly economic forecast published to-day.

The brokers have revised their forecast for the U.K. economy after the recent monetary measures and possible conditions to the IMF credit facilities which, they suggest, will include a 10 per cent. limit to the growth of M3—the broadly defined money supply—in the financial year 1977-78.

Phillips and Drew argue that in order to meet this limit the public sector borrowing will need to be reduced to about £8.2bn. in 1977-78, compared with the most recent Government target of £9bn. or less for this period.

This would require another cut in public spending or rise in tax of £1bn., and the review suggests that political factors will result in a rise in indirect taxes of this amount by the use of the regulator.

The continued monetary stringency may also include measures to restrict the ability of banks to increase their resources, through direct control on growth of their eligible liabilities.

This week in Parliament

THE COMMONS

TO-DAY: Appointment of a select committee to investigate allegations against MPs; Development of Rural Wales Bill, remaining stages; possibly a debate on Welsh affairs.

TO-MORROW: Weights and Measures (No. 2) Bill, remaining stages; New Towns (amendment) Bill, Bail Bill, Lords amendments; Poultry meat (hygiene) regulations.

WEDNESDAY: Retirement of Teachers (Scotland) Bill, Valuation and Rating (exempted classes) (Scotland) Bill, remaining stages; Licensing (Scotland) Bill, Lords amendment; Sexual Offences (Scotland) Bill, remaining stages.

THURSDAY: Debate on transport policy; Supplementary Benefits Bill, second reading; Land Drainage Bill, remaining stages.

FRIDAY: Debate on Welsh affairs.

MONDAY, NOVEMBER 8: Lords amendments which may be received.

THE LORDS

TO-DAY: Cromarty Harbour Order Confirmation Bill, report; Aircraft and Shipbuilding Industries Bill, report; Supplementary Benefits Bill, third reading; Insolvency Bill, consideration Commons amendments.

TO-MORROW: Dock Work Regulation Bill, report; Electricity (financial provisions) (Scotland) Bill, third reading; Licensing (Scotland) Bill, third reading; East Kilbride District Council order confirmation Bill; Motorcycle crash-helmets (religious exemption) Bill, third reading.

WEDNESDAY: Aircraft and Shipbuilding Industries Bill, report; Education Bill, third reading.

THURSDAY: Health Services Bill, committee; Sexual Offences (amendment) Bill, committee; Dock Work Regulation Bill, report.

FRIDAY: Aircraft and Shipbuilding Industries Bill, report.

SELECT COMMITTEES

TODAY: Abortion: Witnesses: Officials of the Department of Health and Social Security; Expenditure: General sub-committee: Subject: Developments in the Civil Service since the Fulton Report. Witnesses: CPSA and Association of Civil Servants.

TO-MORROW: Nationalised Industries: Sub-Committee A. Subject: British Airways: Reports and Accounts. Witnesses: British Airways.

WEDNESDAY: Expenditure: Trade and Industry Sub-Committee. Subject: The Fishing Industry. Witnesses: Ministry of Agriculture, Fisheries and Food, Department of Agriculture and Fisheries, Scotland, Foreign and Commonwealth Office. Expenditure: Environment Sub-Committee. Subject: Planning Procedures. Witnesses: Royal Institute of Chartered Surveyors. Expenditure: General Sub-Committee. Subject: Planning and Control of Public Expenditure. Witnesses: Treasury.

LABOUR NEWS

Results of engineering ballot due to-morrow

BY CHRISTIAN TYLER, LABOUR STAFF

THE FUTURE of Mr. Bob Wright, a leading Left-winger in the Amalgamated Union of Engineering Workers, could be decided to-morrow when the result of a second-round postal ballot for the job of assistant general secretary is due to be declared.

Mr. Wright has long been regarded as the Left's chief candidate for the presidency when Mr. Hugh Scanlon retires in the autumn of 1978. He has, however, already been ousted from the union's executive by the recent swing to the Right in AUEW elections and is no longer employed by the union.

In his first-round bid for the assistant general secretaryship he trailed Right-winger Mr. John Weakley, a British Leyland convener from Llanelli, by 63,723 votes to 82,094.

If he is unsuccessful this time, Mr. Wright, an AUEW official for 20 years, may take up one of the jobs he has already been offered in industry.

Challenged

Another important result to-morrow will decide whether Mr. Jimmy Reid, who made his name at Upper Clyde Shipbuilders and who left the Communist Party earlier this year, secures the job of Scottish regional organiser.

In the first poll Mr. Reid collected 13,389 votes to head the list. He is being challenged by Mr. Thomas Dougan, who polled 9,662.

To-morrow's results will help clarify the presidential succession of the AUEW, the country's second-largest union. Formal nomination will take place early next year and a presidential ballot next October.

They come when the union is preparing to declare election nominations for a general secretary to succeed Mr. Jack Jones, who retires early in 1978 but whose successor is likely to be decided in time for the union's biennial conference next summer.

Ministry move to end mix-up over interpretation of Act

BY OUR LABOUR STAFF

THE DEPARTMENT of Employment has sent an official to the Westminster Hospital to help clear up misunderstandings over interpretation of the Trade Union and Labour Relations Act.

Westminster Hospital authorities, in common with many other employers, believed that the Act obliged them to employ people for at least two years and that they would be liable to pay compensation if workers were dismissed before then even if they were engaged on fixed-term contracts of less than two years.

The issue came to light earlier this week when a spokesman for the Anthony Nolan Bone Marrow Appeal claimed that staff faced dismissal because there were insufficient funds to pay their salaries for two years.

Yesterday, a Department spokesman stressed: "Under the Act, an employee can be retained on a fixed-term contract of less than two years and dismissed when it expires without compensation having to be paid."

An employee could complain to an industrial tribunal that he had been unfairly dismissed, but provided the dismissal was genuinely on the grounds that the contract had expired, he would be unlikely to be awarded compensation, he added.

Bid to use fair wages 'loophole'

By Our Labour Staff

SMALLER ENGINEERING companies are to be the target of a white-collar union seeking to win pay rises for its members that do not have to be offset against the £2.50 to £4-a-week earnings limit.

The Association of Professional, Executives, Clerical and Computer Staff, which claims 100,000 members in engineering, decided at the week-end to use the 1946 Fair Wages Resolution in order to catch what it called the "Scrooge employers."

Under the pay policy, rises gained by using the resolution do not have to be counted against the limit. Another big white-collar union, the Association of Scientific, Technical and Managerial Staffs, has used it to win large increases for a small number of its members.

The resolution lays down that companies engaged on Government contract work must pay the rates agreed by employer bodies and trade unions for comparable work. Where there is no joint agreement, they must pay as much as the "general level" of wages for the industry in the district.

However, from January 1, the resolution will be overtaken by a section of the Employment Protection Act which extends its provisions to the whole of industry. Employers have condemned the Government's recent decision to introduce the extension during the pay policy as irresponsible and inflationary.

Call for expansion of adult training in EEC countries

BY CHRISTIAN TYLER, LABOUR STAFF

EEC COUNTRIES should consider expanding their adult training schemes while unemployment is high and likely to remain so for several years, says a survey published to-day by Political and Economic Planning.

The extra public spending involved would not be inflationary, argues the survey's author, Mr. Santosh Mukherjee. A policy of keeping people at work would reduce budget deficits.

In some EEC countries the State's gain by putting a man into employment—from taxation, social security contributions and saving on unemployment benefit—is greater than the gross pay for the job.

Lagging

Mr. Mukherjee says that Governments generally underestimate the size of this saving.

The study suggests that Britain lags behind, for example, West Germany—an industrially comparable country—in the total amount of training, even allowing for training carried out by British employers.

Training need not be specific to manufacturing jobs: in fact, the proportion of the labour force in manufacturing industry is likely to decline still further as investment increases.

At the same time short-term employment measures like the British job-creation programme and temporary employment subsidy should be imitated by other EEC countries.

During a period of high unemployment, it was important for State employment agencies to be able to improve job-placing and thus prevent workers returning to the unemployment register. The danger was that they could simply become overloaded.

Mechanism

Where companies were planning to shed labour, more attention should be paid to the cost to the employer, to the individual and to society generally.

Britain should introduce legislation to create a mechanism for deciding redundancy policy involving Government, employers and workers.

Government and Labour Markets, by Santosh Mukherjee; PEP, No. 566; £3.20 plus 20p post from 12, Upper Belgrave Street, London SW1X 8BB.

● Private employment agencies and businesses will from to-day have to obtain a licence from the Employment Secretary, because of the introduction of Section 1 of the Employment Agencies Act of 1973. The maximum fine for continuing in business without a licence is £400 on summary conviction.

The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● HANDLING

This tracked excavator announced to-day by International Harvester Company has a reach of 8.73 metres and will dig down to 5.7 metres. A choice of four undercarriages is offered—long, short, low ground pressure and heavy duty. This model will be shown at the Public Works Exhibition which opens in Birmingham on November 15.

Continuous on-line weigher

A ROTARY continuous on-line weighing machine for fruit, vegetables, finely ground, coarse, or lumpy products has been developed by August Herbort-Braunschweig, Germany.

As it is gravity operated, requiring no external power supply, it can be used in areas where there is a risk of an explosion or in damp locations, or where dusty products are involved. Maintenance is stated to be minimal and cleaning is carried out with high pressure water or steam.

The machine consists of a rotating drum divided into five horizontal compartments and mounted on a beam. The product is fed into the top compartment of the drum which is held in position by a pre-set counter-balance weight.

When the weight of the product in the drum exceeds that of the counter-balance, the beam turns and the product discharges as the next compartment is being filled. A hydraulic brake controls the drum and ensures complete emptying of each compartment.

Feed can be by an auger or elevator conveyor, and discharge is normally on to another conveyor or auger. A discharge chute can be used for sample check weighing.

The machine is marketed in the U.K. by the Mason and Morton Group, Frogmore Road, Hemel Hempstead, Herts., HP3 9RW (0442 63621).

Small packs weighed

AUTOMATIC NETT weigh/count equipment for hardware and fasteners in both metal and plastics has been developed by Weighpack, Moons Moat Estate South, Redditch, Worcs., B98 0RA (0527 23914), a Bifurcated Engineering Group company.

It will handle weights from ½ to 6 kg, and any product up to 100mm long in minimum counts of 25 pieces per pack.

Digital thumbwheels are used to key-in the nett weight of the product to be packed. An LED display shows the result of each weighing prior to discharge, allowing the operator to monitor the equipment.

A further set of thumbwheels allow the machine to be set to change from bulk to fine feed when the load reaches a pre-determined percentage (for example, 95 per cent.), leaving the fine feed system to make weight.

● INSTRUMENTS

Indicating controllers

THE WELL-KNOWN Transitrol range of process controllers made by Pye Ether has been expanded by the introduction of a series of indicating controllers designated Transitrol II.

Five basic types are available: an indicator, one and two limit signallers, and two and three position controllers. The instruments feature full scale process value indication, which is insensitive to vibration. The white scale has contrasting measured and set-value pointers. A spring loaded flap gives access to the set-value and control term adjusters. The instruments operate on a null-balance principle.

Overall dimensions are 96 x 192 x 230mm., and each main circuit function is controlled by an individual PCB, which can be readily replaced for on-line servicing. Independent indication and control circuits ensure that control continues even if indication fails.

More from Pye Ether, Caxton Way, Stevenage, Herts., SG1 2DG (0438 4422).

● METALWORKING

Cold drill lasts longer cuts faster

DRILLS WITH lubricant holes through the flutes are not new and though not widely used in the U.K., the advantage is obvious, the oil is delivered to the cutting edge of the drill tip.

Now from the U.S. comes a development which simultaneously cools and lubricates the drill tip as well as clearing swarf from the flutes. Developed by Liquidaire, of Michigan, the system involves blowing a high pressure oil mist through the holes in the drill.

This not only acts as a lubricant and coolant in the usual way, but the sudden expansion of the outgoing air produces a mechanical refrigeration effect, averaging 25 deg.F below the compressed air temperature.

It is claimed this produces heat dispersion characteristics up to five times that of conventional coolants. The liquid used is based on vegetable fats, is non-toxic and produces no smoke or odour. Rapid evaporation ensures greater visibility at the workpiece, compared with the usual coolant flood.

The improved lubrication and cooling achieved with the system is claimed to cut machining times by up to 75 per cent., and to increase tool life by three to ten times.

Drill diameters at present available in the U.K. range from 3-64ths to 2 inches, and the drills are said to cost an average of three times the price of similar diameter conventional high-speed drills. The coolant mist equipment is available with tank capacities ranging from 8 to 45 gallons, at prices from £380.

The system is marketed in the U.K. by Yarker Holdings, Waverley Works, Effingham Road, Sheffield S4 7YR (0742 24374).

● AGRICULTURE

Seeds sown by fluid drilling

UNDER A joint development agreement, the National Research Development Corporation (NRDC) is collaborating with Precision Metal Spinnings in the development of a range of agricultural equipment which will make possible the commercial introduction of the seed-sowing known as "fluid drilling."

This technique was developed by the ARC National Vegetable Research Station (NVRS), and after several years of basic research, it has been demonstrated that the fluid sowing of pre-germinated seeds could offer considerable advantage over established methods.

The term "fluid drilling" describes only the final step of a system which takes the seeds through a variety of stages from the initial germination through to the final drilling of the seeds using a fluid carrier.

The development programme, undertaken by Precision Metal Spinnings, will provide suitable equipment for each stage of the technique and it will be possible to offer systems to suit a variety of crops and the requirements of different growers and different crop production methods.

The company has already completed some nine months of its initial development programme and anticipates having equipment available in its earliest form during 1977. A complete range of systems is unlikely to be available before 1978-79 but, by that time, it is envisaged that many branches of the industry will be catered for, including the high volume plant raisers and the large scale producers of field-sown crops.

NRDC's involvement in the project, in addition to providing financial backing, includes the granting to Precision Metal Spinnings of a licence for patents held by the Corporation on a specialised seed drill head developed at NVRS.

The company is at Masons Road, Stratford-upon-Avon, Warwickshire, CV37 9NU (0789 66131).

● COMPONENTS

Compressor with fitted after-cooler

FACTORY-FITTED aftercoolers complete with all pipe work and pre-wired for quick and easy installation, are now available on Hydrovane rotary vane compressors ranging between 1½-25 hp. The move to factory fitting aftercoolers will, says the company, substantially reduce the problems and time delays associated with on-site installation.

Up to now Hydrovane Compressors—a member of the CompAir Group—has been supplying aftercoolers in kit form for fitting by its distributor network. The increasing demand for dry air—warm, compressed air contains water vapour which will condense and damage tools and clog up air lines—has led the company to engineer complete systems within its own factory.

The aftercoolers take up no additional floor space. They are usually located above the compressor set's electric motor, and can be cleaned by removing the end covers. The cooled air passes through a drain valve which automatically removes any condensate before the air passes into the air lines.

Details from Hydrovane Compressor Co., Claybrook Drive, Washford Industrial Estate, Redditch, Worcs., B98 [illegible] (0527 25523).

● PLASTICS

Subsoil plastic drains

ANNOUNCED TO-DAY is an unplasticised pvc underground drainage system in 110 and 160mm sizes. It will be generally available in the U.K. in January.

Developed by Key Terrain, Aylesford, Maidstone, Kent ME20 7PJ (0622 77811), the system is designed to the dimensional and performance requirements of BS 4660.

The company—a member of Reed International's Building Products Division — says the system should meet every normal drainage application. It is designed to offer easy on-site assembly and rapid installation, using lip-seal socketed fittings and factory chamfered pipe lengths.

Key Terrain reports that, despite the current recession in the U.K. construction industry, the sales of its plastics soil, waste and rainwater systems are running at a record level. They have surpassed, in volume, those of the previous peak period in the autumn of 1973.

● COMPUTING

Portsmouth newspapers' plan

INTEGRATED computer-based equipment, with input by visual display terminals, is planned by The News of Portsmouth, which has been producing its editions by computerised photo-setting and web-offset printing since 1969.

The on-line systems, to be installed at The News Centre, Portsmouth, will also be used to produce a series of weekly newspapers and a number of contract publications.

Initially, the systems will serve the requirements of the administration, advertising, and typesetting divisions, but an editorial system will be developed in a second phase, when full-page composition by displays becomes practical and viable. Work has started on defining the functional requirements of each division and the equipment is expected to be fully operational by September, 1978. It is hoped to complete to the acceptance stage the major part of the installation by the end of 1977 —the centennial of The News.

The systems will be based on two PDP 11/70 computers by the Digital Equipment Corporation.

Input to the systems initially will be by 53 displays, to which will be added a further 50 when the editorial system is developed. Concentrating devices will control groups of up to 16 displays.

Much research has been done by the company since, in mid-1974, it began to consider plans for re-equipping at The News Centre. Senior executives and technical advisers have visited plants in Europe and other teams have made several visits to America in the search for an ideal and practical system. All have been convinced that the most cost-effective method of producing newspapers is that which makes optimum use of the new technology, and that electronic data processing must be adopted to enable newspapers to remain competitive against other media.

The News claims to be the first newspaper in the world with a circulation of over 100,000 to have chosen to go for computerised phototypesetting when it made this move in 1969.

More on Portsmouth 64488.

Versatile printing terminal

DEVELOPED in the U.K., a general purpose printing terminal designed for a wide variety of communications uses, and as a computer input/output unit, has been launched by Trend Communications, St. John's Estate, Tylers Green, High Wycombe, Bucks. HP10 8HW (049481 3721).

Approved by the Post Office for connection to modems and telegraph equipment, the unit is available in both keyboard send and receive (KSR) and receive only (RO) versions. An automatic send and receive (ASR) version is being developed.

Price for the RO is £795 and for the KSR £925.

Called the Printer 800, it uses a 7 x 5 dot matrix format, to print 80 characters/line at speeds to 30 characters/second. Continuously rated printing speeds are achieved by use of an internal buffer store. No fill characters are needed after carriage return or line feed.

The terminal uses standard teleprinter paper, in rolls up to 5 inches diameter, stored within the unit. Original and up to three copies can be produced and black/red printing of the top copy is standard using an ordinary typewriter ribbon.

The unit is available as standard with character sets in either CCITT code 2 (5 level) or code 5 (8 level). Modem, telegraph, current loop and parallel TTL interfaces are available as standard.

Both versions of the unit can be supplied as free-standing or mounted on a pedestal.

The keyboard of the KSR version is a solid-state unit combining capacitive key switches and MOS encoding. The feel of the keyboard is stated to be similar to that of a high-quality typewriter.

A single MOS/LSI chip performs all functions of key-sensing and encoding.

● SERVICES

Reclaiming electronics

KNOWN IN the industry for its service of repair and calibration of electronic equipment, Bradley Electronics has opened a department to deal specifically with the recommissioning of electronic equipment after damage by fire.

The service has been set up following discussions with the Insurance Technical Bureau, and at the recommendation of the Bureau the company has installed an ultrasonic cleaning plant capable of handling units up to 1 x 1 x 2 metres.

After a fire, the company special adviser will visit the scene, and together with the insured and a representative of his insurance company will assess the situation. If reclamation is possible, an estimate of time and cost will be given, and if the work is sanctioned the equipment will be cleaned, renovated, tested and recalibrated to its original specification, then re-installed. Aim of the service is to get the plant working again in 21 days.

Details from G. and E. Bradley, Neasden Lane, London NW10 1RR (01-450 7811)—a Lucas Group company.

Getting rid of asbestos

ENVIRONMENTAL services claiming safety and efficiency in the removal of asbestos and toxic dusts, have been introduced by Envirocor.

The asbestos and toxic dust division of Envirocor has been established to remove, under strictly controlled conditions, white and blue asbestos from industrial, commercial and public buildings where it has been widely used for fire protection, sound or thermal insulation or as an anti-condensant.

The first step in the process is a plant survey conducted by an Envirocor contract engineer who views the problem and takes air and asbestos samples for analysis. If there is a hazard, he will advise on measures which should be taken to eliminate risk i.e. isolation prior to total asbestos removal, or repair by spray-sealing methods.

A treatment team then moves in, representing an on-the-road cost of £14,000 per eight-man unit, seals the hazardous area with heavy duty polythene sheeting—in some cases to form a total external cover to the premises—with tape-sealed seams and exit/entry air-lock.

During a small contract, asbestos is sealed into clearly identified bags, removed via the air-lock, and as a notifiable waste, deposited under supervision at the nearest disposal point.

For larger contracts, in addition to conventional bagging methods, the Envirocor vacuum plant is used to remove large volumes of asbestos, its ability to collect over long distances being invaluable where subterranean or built-up sites are undergoing stripping operations. When safely deposited within sealed vacuum separation skips, the asbestos is mixed with water to form a slurry and disposed under conditions complying with the 1972 act.

Envirocor, Langton House, Bird Street, Lichfield, Staffs Lichfield 52335.

● POWER

Mains supply or stand-by generator

CONTINUOUS DUTY output rating is 250 kW, 312.5 kVA at 50Hz, 1500 rpm, for the latest generating set from Petbow, Sandwich, Kent CT13 9NE (03046 3311). The unit is stated to fill a long standing requirement in the construction and offshore industries.

Designated model 250R30, the set incorporates a Rolls-Royce C8TCA turbo-charged eight-cylinder diesel engine. The 700 litre fuel tank fitted on all totally enclosed models gives 15.5 hours continuous running.

Stand-by duty rating is 275 kW, 343 kVA, and the set can be supplied as either an automatic mains failure or mobile set, and includes paralleling facilities.

Full continuous rating can be achieved in temperatures up to 90 deg.F and elevations up to 4 000 feet, before derating is necessary.

The rotating field, self-exciting brushless alternator is used is coupled directly to the engine, and both are mounted on a single frame. This is suspended within an outer frame by neoprene-bonded resilient mountings which absorb any vibration.

CONTRACTS AND TENDERS

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Building and Civil Engineering

£5½m. Lovell awards

LOVELL Housing has been awarded five contracts totalling over £5½m. In each contract, construction will be by the Lovell housing timber frame system with various cladding materials.

At Church Lane, South Malling, Lewes, Sussex, 226 units are to be built for the Lewes District Council at a cost of £2.3m. Of these, 148 are houses, 38 are flats, 17 are bungalows and 22 are old persons' dwellings, with a warden's flat. Architects are Hugh Wilson and Lewis Womersley.

The second contract, valued at nearly £2m., is for the erection of 141 houses and 66 flats at Sycamore Fields, Harlow, Essex, for Harlow Development Corporation. Harlow Development Corporation is providing the architectural services with Oswald E. Parrat and Partners as quantity surveyors.

At Kimble Drive, Bedford, a £773,150 scheme for 46 houses and 44 flats is under construction for the Guinness Trust. The Lovell group architects department will be responsible for the design work with structural design being handled by Lovell Group Engineering.

With a value of £409,745, the fourth contract is for the erection of 34 houses for the Christopher Boone Housing Association as phase 1 of Belmont Estate Redevelopment, Lewisham, in south London. Fitzroy Robinson and Partners are the architects.

At Langley High Street, Slough, Bucks., 12 old persons flats are to be built for Slough Corporation at a cost of £87,047.

Newspaper printing works

A printing works and offices at Upper Mounts in Northampton for United Newspapers is to be built by Mitchell Construction (Tarmac Group). Value of the contract is £2½m. Designed by the Featherstone Austin Partnership, the building will be the new headquarters for the United Newspapers subsidiaries, the Northampton Mercury Company (publishers of the Northampton Chronicle and Echo and the 256-years-old *Mercury and Herald*) and the Northampton Independent.

Structural consultants are Bingham Blades and Partners with J. Roger Preston and Partners, building services consultants, and Ernest Howard and Son, quantity surveyors.

The building will accommodate the most modern web offset printing presses and computer-controlled photocomposition equipment. The two-storey office *section will have provision for a* third storey at a later date.

Factory and housing jobs for Laing

A NEW factory, with ancillary buildings, is to be built for English Rose Kitchens by John Laing Construction.

Work starts to-day on the £1.2m. contract on a greenfields site at Wedgnock Lane, on the Wedgnock Trading Estate in North Warwick. Total cost of the factory will be £3m.

English Rose expects to move into the new building at the end of next year. Laing is due to complete its part of the work next September.

When there is not a lot of new work about contractors must sometimes be thankful that Britain still has a lot of old houses that need bringing up-to-date.

Laing has just got two such jobs in the north of England. In Halifax it has got a contract to convert nearly 200 pre-war Halifax houses into modern council homes.

Work has started on the main part of the project involving central heating installation, extending and refitting bathrooms, and in some cases moving ground floor bathrooms upstairs, *rewiring, fitting new windows.* The £567,890 contract was awarded by Calderdale Borough Council.

More than half the houses will be re-roofed and additional minor works will involve guttering repairs and painting.

Another contract, worth £438,000, is for updating 79 dwellings, dating back to the 1890s in Beaconsfield Street and Stanton Street within the Arthur's Hill area of Newcastle. This involves work on 76 self-contained flats and three houses. The contract was awarded by the North Housing Group.

Building a warehouse

COSTAIN Construction is to build a goods inwards and export dispatch building for CAV at Rochester, Kent. The contract is worth £206,395.

Construction of the single storey warehouse will be of structural steel frame with cavity walls and brick cladding.

The contract includes construction of an external trucking way, and enclosed conveyor bridge to link with existing buildings, renewal of yard areas, drainage and associated works.

Architects are Clifford Tee and Gale.

Houses and flats

LLEWELLYN Construction is to start soon on a £1.9m. contract for 183 Quikbild houses and flats and 38 traditional mews flats at Shelley Road, Wellingborough, Northants, for the United Kingdom Housing Association.

This is the largest of three recent awards to the company. The other contracts are for 900 square metres of advance factory units and office accommodation at West Denbigh, Milton Keynes, for Milton Keynes Development Corporation (£107,000) and for construction of retail premises for Boots at the Wellingborough City Centre (£380,000).

Water plant components

DEGREMONT Laing has been awarded the contract to supply plant for one of the world's largest induced draught recirculating cooling systems being built in the Middle East.

This plant is part of the Iran Fertiliser Company contract awarded to a joint venture formed by Hamon-Sobelco (London/Brussels) and a British company, Giltspur Engineering Consultants which is worth more than £4m.

The contract is for the design and construction of a water cooling system for a major fertiliser plant near Shiraz in central Iran. The managing contractor is Davy Power Gas.

The induced draught cooling tower will consist of 17 cells which will be designed and supplied by Hamon-Sobelco, and Giltspur Engineering Consultants *will be responsible for all other* aspects of the cooling system.

Degremont Laing will be supplying the components for the cooling system's water treatment plant. The contract is worth over £600,000 and will take a year to complete.

New venture by Hallam

TWO NEW housing systems are being launched to-day by the System Building Division of the *Hallam Group of Nottingham.* Both are suitable for public and private sector housing.

The Hallam Pre-Finished Panel System has been designed with the emphasis on speed. Complete wall panels and roof structures are built in the factory. Wall panels are fully wired, plumbed and decorated ready for delivery to site. Erection on site is straightforward, the panels merely being assembled on a prepared base and services connected.

The second system is Hallam Homebuilder Platform Frame Housing in which only one size *of timber for the whole of the* superstructure and load-bearing walls is used. Floor joists are designed to suit the required span.

A full range of metric house shells from bedsitter flat to a full range of bungalows or 6-7 person two-storey houses can be provided.

It is essentially a frame system with which a wide choice of cladding materials and joinery units—staircases, doorsets, windows and frames can be used.

£¼m. orders for double glazing

PILKINGTON BROTHERS has *received two large orders for* double glazing units totalling 22,000 square metres of glass and worth together £¼m.

For the Euston Square Development, London, the company is supplying 3,040 Antisun Insulight units. These will reduce solar heat gain by 52 per cent. and cut the noise level in the four multi-storey office blocks by more than 25dB.

The Bank of Credit and Commerce in Abu Dhabi will be fitted with 2000 SunCool units, which have a thin layer of gold vacuum-deposited on the inner surface of the double glazing.

SGB launch high speed scaffolding

CLAIMED To be the first scaffolding to eliminate the use of fittings, nuts, bolts and wedges for the connection of ledgers and transoms, a high speed system introduced to the U.K. market by the building equipment division of Scaffolding (Great Britain), Mitcham, Surrey, enables four horizontal members to be secured to a standard in a single action. This enables erection time to be cut by at least 15 per cent. compared with any other system of scaffolding, claims the company, which says the savings of up to 100 per cent. have been effected against traditional tube and fitting methods.

Principal feature of the system called Cuplok is a node point at which ledgers and transoms are connected to the standards. It is a simple locking device formed by a fixed lower cup (welded to the standards at 0.5 metre intervals), and a sliding upper cup. The forged blade ends of ledgers and transoms are located in the lower cup; the upper cup is then moved down, turned to secure the components in place, and tightened by a hammer blow to give a rigid connection.

Big projects in Libya

TWO LARGE contracts, together worth about $U.S.230m., have been awarded to Muduroglu of Nicosia, Cyprus, an associate company of Muduroglu (London), by the Libyan Arab *Republic.*

The biggest is worth $U.S.220m. and is for a harbour project east of Tripoli. In 45 months, the company is expected to complete construction of a breakwater, quays and an inner harbour involving rock-blasting, concreting and dredging operations.

The other contract ($U.S.10m.) is for what is described as a summer resort complex in Benghazi. For this, several residential blocks and a mosque are required with all the associated ancillary works.

Muduroglu says it is now well ahead with the Benghazi main drainage project which is costing about £35m. and was started in 1974. In Libya, the company has a staff of 65 plus a semi-skilled labour force of about 600, two-thirds of which are expatriates from Cyprus and Turkey.

Plastic cladding panels

GLASSFIBRE - REINFORCED plastic cladding panels, designed and made originally for Huddersfield County Borough Council to replace existing panels which had proved unsatisfactory, have been added to the standard product range of Hippo Glass Fibre Products, Horbury Bridge, near Wakefield, Yorkshire, WF4 5PW (0924 272108).

Waterproof and corrosion resistant, these panels can be moulded to meet any size, shape or decorative design requirement. They can be moulded with integral flashings to deflect rainwater from vulnerable areas. They are extremely light in weight, easy *to handle, and to* fix.

Panels can be produced in any colour to provide a permanent decorative effect which requires neither initial nor subsequent painting and is virtually maintenance free.

Lighter load on the roof

INTERLOCKING roof tiles formed from galvanised steel are now being marketed in the U.K. *by Barlo Roofing.*

The tiles, which are the subject of an Agrément Board Certificate, are coated with a bitumen compound which is covered with mineral chippings in a choice of three colours. Each tile has a down-turned lower edge and an upturned upper edge so that it can be interlocked.

Main advantages over conventional tiles are claimed to be lightness and the need for less timber in roof structures, but as the Agrément Certificate points out because of this adequate methods must be used to fix a roof to the structure to prevent possible wind uplift under maximum expected adverse conditions.

First contracts involving the use of Barlo Decramastic tiles are already under way in the U.K. The company is operating from Barlo House, Foundry Lane, Horsham, Sussex, RH13 9XX (Horsham 61653).

Three jobs for Wimpey

WIMPEY has won three contracts totalling £1.68m.

The largest is for Burnley Corporation for 93 dwellings on the Whittlefield development, Gawthorpe Road, Burnley. The contract comprises 68 three-bedroom houses, 5 four-bedroom houses and 8 one-bedroom flats. Additionally there will be 12 one-bedroom bungalows. Work is expected to start on November 15 and is due for completion in February, 1978.

A £358,000 contract has also been signed with Manchester Corporation for the refurbishing of 96 council flats at Banbury Road, Baguley, Manchester.

English International Estates Corporation has awarded a contract valued at £327,000 for the construction of two advance *factories at Irlam, Lancs.*

Blue Nile waters study

THE Sudanese Ministry of Irrigation and Hydro-Electric Energy has commissioned a consortium of British and French consultants to carry out a study of the development of land and water resources in the basin of *the Blue Nile in central Sudan.* The study is being financed by the World Bank and the Kuwait Fund.

The objective of the study is to formulate proposals for the best use of the Blue Nile waters for irrigation and hydro-power, to recommend the extent to which the dam should be raised and to identify priority irrigation projects.

To be known as the Blue Nile Study Consultants, the consortium comprises Sir Alexander Gibb and Partners, Coyne et Bellier, Sir M. MacDonald and *Partners and Hunting Technical* Services.

Control of design and construction

NORCAIN Projects, a member of the Matthew Hall Group, is to carry out project management engineering design, procurement and construction supervision on two projects totalling £4.5m.

For Harlow Chemical Co. a £3m. plant is planned for the production of synthetic resin emulsion on a grass roots site at Stallingborough. The initial phase will create facilities for expansion to 30,000 tonnes of emulsions a year.

The other project is for Amoco—a £1.5m. pipeline fed terminal at Manchester, for storage and distribution of white oil products. The facilities, including storage tanks, loading bays and office and maintenance buildings, will also incorporate control and safety systems.

● Mr. T. J. Boddington has been *appointed consultant to Sir* Frederick Snow and Partners on matters associated with public health engineering.

APPOINTMENTS

Sir Monty Finniston joins GKN Board

Sir Monty Finniston has been appointed a non-executive director of GUEST KEEN AND NETTLEFOLDS. Sir Monty recently retired as chairman of the British Steel Corporation. He is also a director of Sears Holdings and executive chairman of Sears Engineering.

★

Mr. H. C. Ridgwell has been appointed managing director of CHRISTIE-TYLER. He succeeds Mr. George Williams, who has been managing director since 1950, and who remains executive chairman. Mr. Ridgwell joined the company as an accountant in 1969 and became managing director of Contour Möbel in 1971. Appointed to the Christie-Tyler main Board in 1973, he has acted as a divisional director in charge of four subsidiaries for the past two years. Mr. David Mears, who becomes deputy managing director, joined Christie-Tyler in 1968 and has been on the main Board since 1971. He will continue as a divisional director.

★

Mr. S. Vaughan has become managing director of HAHN AND KOLB (GREAT BRITAIN). He was previously technical director.

★

Mr. Michael R. Hoffman has been appointed managing director of PERKINS ENGINES. Mr. Hoffman was previously director, operations, of the turbine components group of Associated Engineering.

★

Mr. G. H. Preedy, joint managing director of ALFRED PREEDY AND SONS, will retire on January 1, after 49 years with the company. Mr. J. W. Palmer, secretary, and Mr. G. J. Sumner, accountant, have been appointed to the Board from November 1.

★

Mr. R. J. Tucker has been appointed general manager of CANADA PERMANENT AFI and Mr. J. Lowing as manager. The business of Canada Permanent Trust Company and Canada Permanent AFI now operates from 1/2, Finsbury Square, London EC2.

★

Mr. Peter Whitehead has been appointed managing director of SPECTRA AUTOMOTIVE AND ENGINEERING PRODUCTS, a member of the Sandhurst Marketing Group.

★

Mr. F. C. Beech has been appointed deputy managing director of the CONDE NAST PUBLICATIONS.

★

Mr. Gerd Seeber has been appointed managing director of PHOEBUS PUBLISHING COMPANY succeeding Mr. Fred Newman who has left the company. Mr. Seeber has been commercial director of Phoebus since its formation in 1972.

★

Mr. H. F. Pressdee has been appointed director and general manager of the tube division of REYNOLDS TUBE COMPANY, a member of the Tube Investments group.

★

Mr. Nigel J. C. Turnbull has been appointed group financial controller to LLOYDS AND SCOTTISH.

★

Mr. Tom Richardson has been appointed to the Board of JONAS WOODHEAD AND SONS.

★

Mr. Roy Arnold has been appointed buying director of ALLIED SUPPLIERS from director of procurement. He retains the chairmanship of the Cavenham Group Purchasing Committee and takes responsibility for the overall supervision of Allied's purchasing.

★

Mr. Peter J. Hunt has been appointed a director of the LAND SECURITIES INVESTMENT TRUST. He joined the group in 1964 and has been chief surveyor since 1973.

★

Lord Keith, a Senator of the College of Justice in Scotland, has been appointed a Lord of Appeal in Ordinary in succession to Lord Kilbrandon who will be retiring at the end of the year.

★

Mr. A. W. Houston, a non-executive director of THERMAL SYNDICATE, has resigned from the Board to follow other business interests.

★

Mr. Stanley Harris had retired from the Board of the WOOLWICH EQUITABLE BUILDING SOCIETY. He has been a director of the Society since 1961.

★

Mr. C. M. Beddow, Mr. I. A. Horwood and Mr. R. O'Connell have joined the Board of BEYER PEACOCK AND COMPANY, and Mr. Beddow has been elected chairman. Colonel J. A. T. Barstow, Mr. A. G. S. Barstow, and Mr. J. C. S. Edwards did not seek re-election to the Board and Mr. J. L. S. Wright and Mr. D. H. Morrison-Jones have resigned.

Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Int. Domestic Contract Textiles Exbn. (cl. Nov. 4)	Nat. Exbn. Centre, B'ham
To-day	Scottish Fashion Show. (cl. Nov. 4)	Central Hotel, Glasgow
Nov. 2—4	Nat. Housing and Town Planning Exhibition	Metropole Centre, Brighton
Nov. 8—12	Automated Production Exhibition	Belle Vue, Manchester
Nov. 8-14	Israel Book Week	Nat. Book League, W.1
Nov. 9—13	Scottish Packaging and Printing Exhibition	Glasgow
Nov. 11—21	Caravan Camping Holiday Show	Earls Court
Nov 14—21	International Kitchen and Bathroom Show	Olympia
Nov. 15—17	National Graphic Design and Drafting Exhibition	London Hilton, W.1
Nov 15—20	Public Works and Municipal Service Exhibition	Nat. Exbn. Centre, B'ham
Nov. 15—20	Environmental Pollution Control Exhibition	Nat. Exbn. Centre, B'ham
Nov. 21—24	Camping Trade Fair	Harrogate
Nov. 23—25	Computer Peripherals and Systems Exbn. and Conf.	Wembley Conf. Centre
Nov. 27—Dec. 5	Custom Car Show	Olympia
Dec. 6—10	Royal Smithfield Show and Agric. Machinery Exbn.	Earls Court
Dec. 7—10	Offshore International Exhibition and Conference	Nat. Exbn. Centre, B'ham

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	International Technical Fair (cl. Nov. 27)	Stockholm
Current	Do-It-Yourself Exhibition (cl. Nov. 11)	Paris
Current	German Catering and Foodstuffs Exbn. (cl. Nov. 7)	Berlin
To-day	Intnl. Hydraulics & Pneumatics Exbn. (cl. Nov. 6)	Zurich
Nov. 3—10	Mechanical Handling Equipment Exhibition	Utrecht
Nov. 3—14	International Motor Show	Turin
Nov. 4—10	International Hotel and Catering Equipment Exbn.	Munich
Nov. 7—15	International Caravan Show	Brussels
Nov. 9—13	International Maritime Exhibition	Amsterdam
Nov. 10—15	International Furniture Show	Brussels
Nov. 13—18	International Hotel & Restaurant Fair	Dusseldorf
Nov 15—20	International Food Exhibition	Paris
Nov. 15—20	International Packaging Exhibition	Paris
Nov. 19—21	Italian Footwear Fashion Fair	Florence
Nov. 20—23	International Optical Fair	Brussels
Nov. 23—26	Clothing Textiles Trade Fair	Frankfurt
Nov. 24—28	Electrical and Electronic Exhibition	Singapore
Nov. 24—30	Intl. Fair of Machine Tools and Ind. Equipment	Tehran
Dec. 3—12	Dakar International Fair	Dakar
Dec. 4—12	International Woodworking Exhibition	Brussels

BUSINESS AND MANAGEMENT CONFERENCES

Nov. 2	BAS: U.K. Constr. Ind. in Saudi Arabia	Cavendish Conf. Centre, W.1
Nov. 3—3	Financial Times: European Banking	Stockholm
Nov. 2—3	Physical Distribution Man. Centre—Nat. Conf.	Nat Exbn. Centre, B'ham
Nov. 3—5	Frank Jefkins: Effective Publicity Writing	Connaught Rooms, W.C.2
Nov. 4	Brunel University: Organisational Stress	Uxbridge, Middlesex
Nov. 4	Inst. of Work Study: Port- and Shipping	Newcastle
Nov. 4	New Law Journal: Tax after Finance Act 1976	Cafe Royal, W.1
Nov. 4	EBI: Budgeting Management Time	Cafe Royal, W.1
Nov. 8—12	Abraxas: Synetics-Innovative Skills	68, Churchway, N.W.1
Nov 8—26	Strathclyde Univ. Senior Management Course	Strathclyde Bus. School
Nov. 9—11	Ind. Newsp. Chemistry in Ind.—The Way Ahead	Wembley Conf. Centre
Nov. 10	CBMPE: Offshore Activities-Sub-Sea-Engin'g.	Cafe Royal, W.1
Nov. 10	Economic Models: Paper and Board Forecasts	30, Old Queen St., S.W.1
Nov. 10—11	Financial Times, Investors Chronicle: World Insurance	Royal Lancaster Hotel, W.2
Nov. 10—11	Investment in 1977 Conference	Johannesburg
Nov. 11	Henley Centre: The Path to Prosperity	Bowater House, S.W.1
Nov. 11	Inbucon: Transactional Analysis	Barrington House, E.C.2
Nov. 11	Institute of Directors Annual Convention	Royal Albert Hall, S.W.7
Nov. 15—19	SEMDA: Surveying towards the '80s	Great Barr, Birmingham
Nov. 15—26	H. Mitchell: Organisation and Methods Course	Beeston, Notts.
Nov. 16—17	MES: The Practice of Credit Control	Connaught Rooms, W.C.2
Nov. 16—18	Financial Times, Olade, The Oil Daily: Latin American Oil	Mexico
Nov. 17—18	FBIS: Trusts and Capital Transfer Tax	London Press Centre, E.C.4
Nov 17—18	Offshore Centre: Trading with the Oil World	Connaught Rooms, W.C.2
Nov. 18—19	Notcutt Inv.: An Int. Approach to Investment	Malta
Nov. 21—Dec. 3	W. D. Scott: Organisation and Methods	Swindon
Nov. 22—26	P-E Cons. Group: Leadership in Management	Training Centre, Egham
Nov. 23	ICFC: Capital Transfer Tax and Small Businesses	Nat. Exbn. Centre, B'ham
Nov. 23—25	Bradford Univ.: Forecasting for Managers	Heaton Mount, Bradford
Nov. 23—26	IEE: Aircraft All-Weather Operations	Savoy Place, W.C.2
Nov. 24	Imp. Coll.: Linear Programming in Acc'ting & Fin.	Exhibition Road, S.W.7
Nov. 24	Stanlland: Prospects for Consumer Spending	Carlton Tower Hotel, S.W.1
Nov. 24	BACIE: The Employment of Young People	Kennington, Oxford
Nov. 25	MTC: Supervisors and Managers Employment Law	Leicester
Nov. 28—29	Financial Times, Gulf Air: Business with the United Arab Emirates	Dubai
Nov. 29—Dec. 1	Inst. Chtr. Accts.: Partnership Tax Planning	St. John's Hotel, Solihull
Dec. 1—2	ESC: Finance and Credit for Industry	Cumberland Hotel, W.1
Dec. 1—2	Metals Soc.: The Human Factor in Plant Operation	Royal Garden Hotel, W.8
Dec. 1—3	MCE: International Finance Conference	Geneva
Dec. 2	Tax & Prprty. Serv.: Moving Funds Around Europe	Inn on the Park, W.1
Dec. 2—3	G. K. Tutorial: Balance Sheet Analysis Seminar	Post House, W.2
Dec. 3	City University: Issues and Mergers	Gresham College, E.C.2

Entertainment Guide

OPERA & BALLET

THEATRES

CINEMAS

ART GALLERIES

CLUBS

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not available whether dividends concerned are interims or finals. The sub-division shown below is based mainly on last year's time-table.

TO-DAY

COMPANY MEETINGS—
Black Arrow, 2, Chandos Road, N.W., 12
Blackwood Morton, Kilmarnock, 12
Ferry Pickering, Leicester, 12
Francis (G. R.), Birmingham, 2.30
Leisure and General, Backford Cross, Chester, 12.30
Phoenix Prince Gold, Winchester House, E.C., 12
Strong and Fisher, Wellingborough, 2.30

BOARD MEETINGS—
Finals:
Brycourt Investments
Control Securities
Golden Hope Plantations
Medminster
Interims:
Aberdeen Investments
Avana

DIVIDEND & INTEREST PAYMENTS—
APV 6½pcPf. 2.6p
Ashbourne Investments Ln. £4.034
Associated Book Publishers 1.2p
Associated Dairies 5½pcPf. 1.925pc. Deb. 3½pc
Allis Electric and General Db. 2½pc
Ayr 6½pcRed. 1976-79 3¼pc
Ayrton Saunders 7½pcPf. 2.625pc
BET Omnibus Services 5½pcPf. 1.925pc
Baltic Mercantile and Shipping Exchange Db. 3½pc
Bassett (G.) Holdings 7½pcPf. 2.625pc
Bate (W.) (Holdings) 5pcPf. 1.75pc. 7pc Pf. 2.45pc
Bell and Sime 5pcPf. 1.75pc
Biddle Holdings 2p
Birkenhead 7pcRed. 1976 3½pc
Birmingham 13pcRed. 1983 £3.993
Bishopsgate Trust Db. 2½pc
Blackwood Morton and Sons 0.8125p
Boulton and Paul 5pcPf. 1.75pc. 5½pc Pf. 1.925pc. 7pcPf. 2.45pc
Brighton 6½pcRed. 1976-79 3¼pc
Bristol 3½pcDb. 1¾pc. 7½pcRed. 1979-1981 3¾pc
British Columbia Elect. Perp. Call Bds. Br. 2½pc. Bds. Ser. (Br.) 2½pc
British Electric Traction Db. 2½pc
British Empire Secs. and Gen. Trust 0.39p
British Gas 3pcGtd. 1990-95 1½pc
British Inv. Tst. 5¼pcPf. 1.8375pc
British Mohair Spinners 6pcPf. 2.1pc
British Shoe Corp 6½pc 3rdPf. 2.275pc
Brixton Estates Db. 3½pc
Brooks Watson 0.52p
Brown and Tawse 7pcPf. 2.45pc
Cameron (J. W.) 5pcPf. 1.75pc. 6pcPf. 2.1pc
Celtic Haven 0.2625p
Chase Manhattan Cap. Notes 3½pc
Chilean 5pcLn. 1911 2ndSer. 1½pc
Citicorp 24cts.
City and Intnl. Tst. Dbs. 4½ and 4½pc
City Investing 16.5cts. B Pf. 50cts.
Coates Bros. 4½pcPf. 1.575pc
Continental Illinois 60 cts.
Cork Corp 3pc Red. 69-79 1½pc. 3½pc Red. 71-81 1¾pc. 4pc Red. 57-77 2pc. 4pc Red. 58-78 2pc. 5pc Red. 70-80 2½pc
Courage Ln. Dbs. 3½ and 3½pc
Dalgety Ltd. Db. 2½pc
Daniel and Sons Brews. 2ndBDb. 2¼pc
Dominion and Gen. Tst. 5pcPf. 1.75pc
Drake and Scull Hldgs. 3.5pcPf. 1.75pc
Drayton Consd. Tst. Db. 2¼pc
Dunlop Hldgs. 5½pcPf. 2.3pc. Db. 2¼pc
Edinburgh Invest. Tst. Db. 3½pc
Edwards (1936) Ord. and A Ord. 3.5 cts. Pf. 2pc. Pf. 3½pc
Eleco Hldgs. Db. 3½pc
Electra Inv. Db. 3pc
Electric and General Invest. Db. 2½pc
Ellerman Lines 6¼pcPfd 2.1875pc. 4½pc Gtd.Pf 1.575pc. 5½pcPf. 1.925pc
Esso Petroleum Db. 2½pc
Eucalyptus Pulp Mills 3.5p
Ferranti 3.85pc3rdPf. 1.925pc
First Scottish American Tst. Db. 1¾pc
Funding 6½pc 1985-87 3¼pc
Furness Withy 5pcPf. 1.75pc
General and Commercial Inv. Tst. 1.75p
General Elec. and Mechanical Systems Db. 3½pc
General Stockholders Invest. Tst. 5½pcPf. 2.2pc
Glaxo Group Ln. 3¼pc
Gossard (Holdings) 5½pcPf. 2.2pc
Great Northern Invest. Trust Db. 2½pc
Greek 7pc Refugee 1924 (Assd. with accept. Certs.) (3½pc) 3½pc. Stlg.Fdg.Bds. of 1965 (3½pc) 1¾pc
Guaranteed 4½pcBds. 2¼pc
Hammersmith 9½pcRed. 1976-79 4¾pc
Hardys and Hansons 5pcPf. 1.75pc. Db. 2½pc
Harrison and Sons 6pcPf. 2.1pc
Heinz 4½pcPf. 1.575pc
Hellenic and Gen. Trust Db. 2½pc
Hendon Corp. 5pcRed. 1971-76 2½pc
Henekeys Ltd. 7½pcPtg.Pf. 3.275pc
Heywood Williams Group 8pcPf. 2.8pc
Home Charm 1.155p
Inglis Db. 2½pc
International Invest. Tst. Db. 2¼pc
Ireland 4½pc Nat Ln. 1975-80 2¼pc
Islington 9½pcRed. 1977-78 4¾pc. 10pc Red. 1982-83 5pc
Jackson (Wm.) 7½pcPf. 2.625pc
King and Shaxson 5pcPf. 2pc
Kitsman Industrial Hldgs. 1.8p
Kleinwort, Benson, Lonsdale 1.51p
Lang Investors 1.4p
Leeds Fireclay Db. 2pc
Leigh Mills 1.0322812p
Lewis (John) Props. Db. 4½pc
Lindustries 5pcPf. 1.75pc
London and Aberdeen Tst. Dbs. 1½ and 2½pc
London and Provincial Tst. Db. 2½pc
Lonrho Merchant Secs. 0.875p
London Scottish American Tst. 5pcPf. 1.75pc
London Shop Property Tst. 5½pcPf. 1.925pc
Londonderry Port and Hbr. Commissioner Port of Londonderry 3½pcCon.Stk. 1¾pc
Lonsdale Universal Ln. 4pc
Lyons (J.) 5pcPf. 3pc
McCaw Stevenson and Orr 5pcPf. 1.75pc
Marks and Spencer 10pcPf. 3.5pc
Marshall (Thomas) (Loxley) Ord. and A 1p
Matthews Hldgs. 7pcPf. 3.45pc
Mentmore Manufacturing 6pcPf. 2.1pc
Merchants Tst. Db. 2pc
Mid-Sussex Water 5.95pc (fmly. 8½pc) Red. Pf. 1976 2.975pc
Montreal 3pc Perm Db. 1½pc
Moorside Tst. 5pcPf. 1.75pc
Neill (James) Hldgs. 2p
Noble and Lund 0.2p
North British Canadian Invest. 5p
Northern American Tst. 5pcPf. 1.75pc. Db. 1½pc. Ln. 2½pc
Norvic Secs. 0.5p
Norwich 3pcRed.Stk. 1½pc
Nottingham 3pcDbd. 1½pc
Ocean Transport Trading 3.4835p
Parkland Textile 4½pcPf. 1.575pc
Pentland Industries 0.192p
Pentland Invest. Tst. Dbs. 1½ and 2pc
Pentos 4½pcPf. 1.575pc
Phillips Furnishing Stores 6½pcPf. 2.25pc
Polymark Intnl. 0.804375p
Priest Marians 6pcPf. 2.4pc
Property and Reversionary Invest. Corp 5pcPf. 1.75pc
Rank Organisation 2.1875p
Ranks Hovis McDougall Ln. 3½pc
Ransome Hoffmann Pollard Ln. 4pc
Ratcliffs (Great Bridge) 0.65p
Reading 3½pc 1978 1¾pc
Reckitt and Colman Db. 3½pc
Reed Publishing Hldgs. Dbs. 1½ and 3½pc
Renwick Group 7pcPf. 2.45pc
Richards of Shemeld 5pcPf. 1.75pc
Rosedimond Invest. Inc. 1.9p
St. Andrew Trust Deb. 1½pc
Scottish Agricultural Secs. Corp. 3½pcDb. 1¾pc
Scottish and Newcastle Brews. 5½pcPf. 2.2pc. 7½pcPf. 2.1pc. Db. 2½ 3 3½ 3½ 3½pc
Scottish Invest. Tst. 5½pcPfd. 1.925pc. 6½pc A Pf. 2.275pc
Second Broadmount Tst. 7pcPf. 2.45pc
Shakespeare (Joseph) 0.65p
Shaw Carpets Db. 4¼pc
Smith (W. H.) Db. 2½pc
Sobranie (Hldgs.) Db. 2½ 3½pc
South Africa Republic of 9½pcRegd 1979-81 4¾pc
Southampton 7½pcReg. 1976 3¾pc
Southampton Harbour Brd 6½pcRed 1982 3¼pc
Southern-Evans Db. 4pc
Southwark 15pcRed 1980-81 7½pc
Stock Exchange 6¼ 25Reg. (Reg.) £2.125pc
Stockholders Invest. Tst. Db. 2½pc
Strong and Fisher 3.59p
Sumner (Francis) 0.5p
Sun Real Estates Db. 3½pc
Telephone and General Trust 3p
Thetford 9pcBds. Red. 4½pc
Tomatin Distillers 0.875p
Trans-Oceanic Trust 5pcPf. 1.75pc
Treasury Stock 10½pc 1979 5¼pc
Triefus 20pcPf. 7.5pc
Trust Houses Forte 1.75p
Tunnel Holdings 3.85pcPf. 1.925pc. 3.5pc APf. 1.75pc
Union International 7½pcPf. 2.45pc
Uruguay 3½pcBds. (Assd.) 1¾
Vaux Breweries 7pcPf. 2.45pc. 4½pcPf. 1.575pc. 6½pcPf. 2.275pc
Wadkin 1.875p
Warley 7½pcRed. 1979-80 3¾pc
Watney Mann and Truman Db. 3½pc. Ln. 2½ 4½
Waverley Cameron 6pcPf. 2.1pc
West Bromwich 7pc Red. 1976 3½pc
Westminster and Country Props. Ln. 4pc
Whitbread 4½pcPf. 1.575pc. 6pcPf. 2.1pc. 7pcPf. 2.45pc. Db. 3½pc
Wigan 3pc 1½pc
Wilson Peck 7½pcPf. 3pc
Winston Ests. 0.43625p
Winthrop 1.95p
Witan Invest. Dbs. 3 and 3½pc
Wrighton (F.) Sons (Assoc.) 5½pcPf. 2.2pc
Young Brew. Db. 3½pc

TO-MORROW

COMPANY MEETINGS—
Bazaloon, 37, Mincing Lane, E.C., 2.30
Bertam Cons. Rubber, Sevenoaks, 12
Cantors, Sheffield, 12

BOARD MEETINGS—
Finals:
Brooke Bond Liebig
Cedar Investment Trust
Interims:
Electrocomponents
Foster Bros. Clothing
Hambros Investment Trust
Lipton (L.)
Mallinson (William) and Denny Mott
Peerage of Birmingham
Reed International
Taylor Pallister
Whitbread Investments

DIVIDEND & INTEREST PAYMENTS—
Black Arrow 0.4p
Matthews (Bernard) 3.5p
Royal Worcester 1.95p
Town and City Properties Ord. 0.01p
Wilkinson Warburton 1.5p

WEDNESDAY, NOVEMBER 3

COMPANY MEETINGS—
Empress Services, Kettering, 10.30
Throgmorton Secured Growth Trust, 25, Milk Street, E.C., 12.30

BOARD MEETINGS—
Finals:
Dawnay Day
Hensher (Furniture Trades)
Kwick Save Discount
Longbourne
Low (William)
Safeguard Industrial Investments
United City Merchants
Interims:
Alliance Investment
Ambrose Investment Trust
H. P. (Philip) Investment Trust
More O'Ferrall
Tanganyika Concessions
Usher-Walker

DIVIDEND & INTEREST PAYMENTS—
Amber Valley 12¼pcBds. Red. 3 11 76 £6.2928
Ashford 12¼pc. Bds. Red. 3 11 76 £6.2928
Bristol 12¼pcBds. Red. 3 11 76 £6.2928
British Vending 0.4601025p
Cantors Ord. and A 1.063p
Chelmsford 6½pcBds. Red. 27 4 77 3¼pc
Chigwell 7½pcBds. Red. 3 11 76 3¾pc
Corby 12¼pcBds. Red. 3 11 76 £6.2928
Empress Services 0.1p
Ettrick and Lauderdale 12¼pcBds. Red. 3 11 76 £6.2928
Gloucestershire 12¼pcBds. Red. 3 11 76 £6.2928
Grangemouth 6½pcBds. Red. 4 5 77 3¼pc
Hartlepool 12¼pcBds. Red. 3 11 76 £6.2928
Hounslow 12¼pcBds. Red. 3 11 76 £6.2928
Kingswood 12¼pcBds. Red. 3 11 76 £6.2928
Lichfield 6½pcBds. Red. 4 5 77 3¼pc
Lowell's Shipping and Transport 3p
Merton 12¼pcBds. Red. 3 11 76 £6.2928
Newcastle upon Tyne 12¼pcBds. Red. 3 11 76 £6.2928
North Devon 12¼pcBds. Red. 3 11 76 £6.2928
Northavon 12¼pcBds. Red. 3 11 76 £6.2928
Rochford 12¼pcBds. Red. 3 11 76 £6.2928
St. Albans 12¼pcBds. Red. 3 11 76 £6.2928
St. Helens 12¼pcBds. Red. 3 11 76 £6.2928
Solihull 12¼pcBds. Red. 3 11 76 £6.2928
Somerset 12¼pcBds. Red. 3 11 76 £6.2928
Strathclyde 12¼pcBds. Red. 3 11 76 £6.2928
Suffolk Coastal 12¼pcBds. Red. 3 11 76 £6.2928
Tayside 12¼pcBds. Red. 3 11 76 £6.2928
Thamesdown 12¼pcBds. Red. 3 11 76 £6.2928
Union Corp. 12 cts.
Walsall 12¼pcBds. Red. 3 11 76 £6.2928
West Yorkshire 12¼pcBds. Red. 3 11 76 £6.2928
Woodspring 12¼pcBds. Red. 3 11 76 £6.2928

THURSDAY, NOVEMBER 4

COMPANY MEETINGS—
Bromsgrove Casting and Machinery, Bromsgrove, Worcestershire, 12
Burns-Anderson, Manchester, 12
CCH Investment, Falkirk, 12
Eqt. Birmingham 2.45
Govett European Trust, Winchester House, E.C., 11.30
Parker Knoll, High Wycombe, 12.30
Sizewell European Investment Trust, 20, Birchin Lane, E.C., 12
Walker (Thomas), Birmingham, 12
West of England, Bristol, 12

BOARD MEETINGS—
Finals:
Mitchell Cotts Transport
Sanderson Murray and Elder
Scottish National Trust
Sungei Bahru Rubber Estates
Interims:
Airflow Streamline
Boot (Henry)
Canadian and Foreign Investment Trust
Feedex
Fortnum and Mason
Goldring
Guardian Investment Trust
Save and Prosper Linked Investment Trust
Scottish Heritable Trust
Slingsby (H.C.)
United Engineering Industries

DIVIDEND & INTEREST PAYMENTS—
Anglo American Corp. of South Africa 8 cts.
Anglo American Industrial 22 cts.
Anglo American Investment Trust 150 cts.
Belfast 6½pcBds. Red. 77-80 3¼pc
Bracken Mines 2.07557p Do. 10 cts.
Brydon Ord. 2.1p. New Ord. 0.7p
British Petroleum Ord 5.875p
Coronation Syndicate 3 cts.
De Beers Cons. Mines Reg. Dfd. 12.5 cts. Br. Dfd. 12.5 cts.
De Beers Industrial 32.5 cts. Pf. 2½pc
Francis (G. R.) 3.167p
Free State Geduld Mines 80 cts.
Howard Machinery 1.045p
Kinross Mines 8.3022p
Metal Closures 1.5p
President Brand Gold Mining 65 cts.
President Steyn Gold Mining 5 cts.
Rotork 2.11p
St. Helena Gold Mines 41.51143p
Schroders 3p
Throgmorton Secured Growth Trust 1.2625p
Tiger Oats and Milling 20 cts.
Trade Indemnity 2.75p
Walker (Thomas) 0.5655p
Welkom Gold Mining 2½ cts.
Western Holdings 125 cts.
Winkelhaak Mines 19.372p

FRIDAY, NOVEMBER 5

COMPANY MEETINGS—
Campari Essex Rooms, Abercorn Rooms, Bishopsgate, E.C., 11.30
Chambers and Fargus, Hull, 12
Grimshawe, Leeds, 12.30
Jermyn Investment, 6 11, Agar Street, W.C., 12
Kent (M. P.), Bath, 12
Lunuva (Ceylon) Tea and Rubber, 1-4, Great Tower Street, E.C., 11
Meat Trade Suppliers, Winchester House, E.C., 12

BOARD MEETINGS—
Finals:
Linread
Ulster Television
Interim:
Warwick Engineering Investments

DIVIDEND & INTEREST PAYMENTS—
Aberdeen 10½pcBds. Red. 11 5 77 5¼pc
Adur 11¼pcBds. Red. 3 11 77 5⅝pc
Armstrong Equipment 1.166p
Banff and Buchan 10½pcBds. Red. 11 5 77 5¼pc
Barton and Sons 1.1p
Berwick Timpo 5½pcPf. 1.925pc
Blaenau Gwent 10½pcBds. Red. 11 5 77 5¼pc
Bowater 2.8p
Brent 10½pcBds. Red. 11 5 77 5¼pc
British Vita 1.37p
Burnley 10½pcBds. Red. 11 5 77 5¼pc
Burns-Anderson 0.95p
Caledonian Assoc. Cinemas 7pcPf. 2.45pc
Chiltern 10½pcBds. Red. 11 5 77 5¼pc
Cumbernauld and Kilsyth 10½pcBds. Red. 11 5 77 5¼pc
Garner (L.) 2.5p
Gedong Investments 0.325p
Glamorgan 10½pcBds. Red. 11 5 77 5¼pc
Gravesham 10½pcBds. Red. 11 5 77 5¼pc
Greenwich 10½pcBds. Red. 11 5 77 5¼pc
Hertfordshire 10½pcBds. Red. 11 5 77 5¼pc
Leeds 10½pcBds. Red. 11 5 77 5¼pc
Leisure and General 0.8p
Leslie Gold Mines 5 cts.
Lewisham 11½pcBds. Red. 3 5 78 5¾pc
Liverpool 10½pcBds. Red. 11 5 77 5¼pc
Lothian 10½pcBds. Red. 11 5 77 5¼pc
Luton 10pcBds. Red. 11 5 77 5¼pc
Newham 10½pcBds. Red. 11 5 77 5¼pc
News International 3.7p
North Warwickshire 10½pcBds. Red. 11 5 77 5¼pc
Ogwr 10½pcBds. Red. 11 5 77 5¼pc
Parker Knoll Ord. and A Ord. 2.095p
Parker Timber 4.875p
Redbridge 10½pcBds. Red. 11 5 77 5¼pc
Rochdale 10½pcBds. Red. 11 5 77 5¼pc
St. Edmundsbury 10½pcBds. Red. 11 5 77 5¼pc
Scottish Northern Inv. Tst. 0.9125p
Sizewell European Inv. Tst. 1.4p
South Kesteven 10½pcBds. Red. 11 5 77 5¼pc
South Pembrokeshire 10½pcBds. Red. 11 5 77 5¼pc
Stoke-on-Trent 10½pcBds. Red. 11 5 77 5¼pc
Test Valley 10½pcBds. Red. 11 5 77 5¼pc
Tweefontein Utd. Collieries 20 cts.
Walker (James) Goldsmith and Silversmith Ord. and A 1.0082p. Ord. and Non-Vtg. Ord 1.0082p
Watmoughs 0.8p
West Glamorgan 11½pcBds. Red. 9 11 77 5¾pc
West of England Trust 0.6561p
Wigan 10½pcBds. Red. 11 5 77 5¼pc

SATURDAY, NOVEMBER 6

DIVIDEND & INTEREST PAYMENTS—
Arndale Property Trust Ln. 3½pc
Associated British Foods Db. 3½pc
Associated Portland Cement Mnfctrs. Db. 3½pc
Brixton Estates 3½pc
Brooke Bond Liebig Ln. 3½pc
Burton Ln. 3½pc
Bury and Masco 1.2403p
Cadbury Schweppes Ln. 4½pc
Carpets International Db. 3½pc. Ln. 3½pc
Courtaulds 6pcPf. 2.3p. Lns. 3½ and 3½pc
Delta Metal Db. 5½pc
Distillers Ln. 3½pc
Hudson's Bay 17.24p
McBride (Robt.) (Middltn.) 2.1943p
Metal Box Ln. 5½pc
Tilling (Thomas) Ln. 4½pc. New Ln. £3
Whitbread Ln. 3½pc

SUNDAY, NOVEMBER 7

DIVIDEND & INTEREST PAYMENTS—
British Leyland Motor Ln. 3½pc
EMI Lns. 2½, 3½, 3½ and 4½pc
Econa Ln. 3½pc
Fodens Db. 4½pc

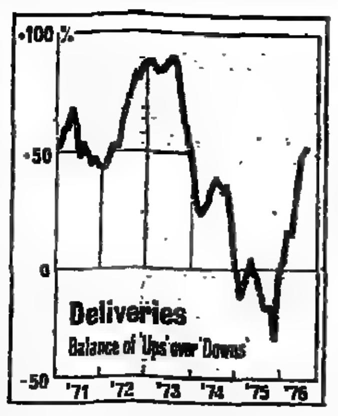
FT Monthly Survey of Business Opinion

GENERAL OUTLOOK

Confidence undermined

THE STERLING crisis and the recent monetary squeeze and increase in interest rates have clearly undermined business confidence. The latest Financial Times Business Opinion Survey, for which the last interviews were completed just over a week ago, shows a sharp drop in the absolute level of optimism about company prospects for the second successive month.

All three of the sectors surveyed this month—non-electrical engineering, chemical and oil companies, and shipping and transport connected industries—were less optimistic than when last questioned in June. This was not solely a shift from those saying they were more optimistic towards a neutral stance but also a distinct rise in the number saying they were less optimistic. Apart from references to high interest rates and the fall in sterling, several companies specifically cited the fact that the rate of economic growth has not been as rapid as previously anticipated.



The recent drop in the value of the pound reinforces the continued rise in optimism about export prospects over the next 12 months. Almost all the engineering, and the chemical and oils companies envisage a rise in the period but the shipping and transport sector is less bullish in view of the worldwide shipping position.

GENERAL BUSINESS SITUATION — 4 monthly moving total — October 1976

Are you more or less optimistic about your company's prospects than you were four months ago?	July-Oct. %	June-Sept. %	May-Aug. %	Apr.-July %	Eng'g. (non-elect.) %	Chemicals & Oils %	Shipping and Transport %
More optimistic	24	35	35	39	9	5	44
Neutral	54	55	58	53	75	9	56
Less optimistic	22	10	7	8	16	86	—

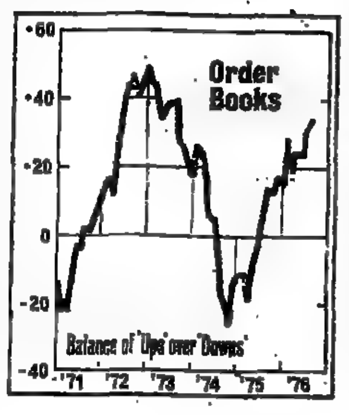
EXPORT PROSPECT (Weighted by exports) — 4 monthly moving total — October 1976

Over the 12 months exports will be:	July-Oct. %	June-Sept. %	May-Aug. %	Apr.-July %	Eng'g. (non-elect.) %	Chemicals & Oils %	Shipping and Transport %
Higher	86	83	82	86	98	100	48
Same	8	11	12	14	2	—	52
Lower	6	6	6	—	—	—	—

ORDERS AND OUTPUT

Demand maintained

THE RISING trend of order flows has continued so that both the indicators for new orders and order books have shown further improvement. There are, however, sharp variations between the sectors covered this month with almost all the chemical and oil companies reporting an uptrend in the last four months, and while a similar proportion in shipping and transport saying there has been no change. While cuts in Government spending have been beginning to affect certain companies, others say they have been gaining overseas orders from new areas.



But there are indications of a downgrading in expectations for the next 12 months as the index for the median expected rise in production for the period has slipped back from 4.4 per cent. to 4.0 per cent. The chemical and oil, and shipping and transport connected sectors are less optimistic than when last surveyed in June. The index for the percentage balance expecting a rise in production volume over those envisaging a decline is unchanged, at a relatively low level.

NEW ORDERS — 4 monthly moving total — October 1976

The trend of new orders in the last four months is:	July-Oct. %	June-Sept. %	May-Aug. %	Apr.-July %	Eng'g. (non-elect.) %	Chemicals & Oils %	Shipping and Transport %
Up	56	53	46	42	56	93	4
Same	26	25	31	34	37	—	96
Down	6	10	15	16	4	5	—
No answer	12	12	8	8	3	2	—

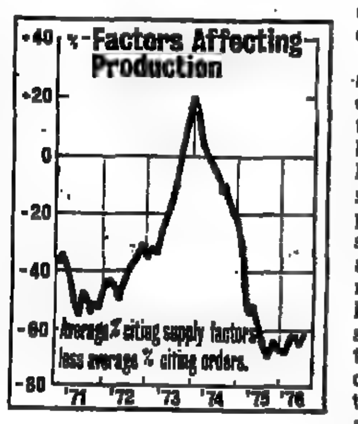
PRODUCTION/SALES TURNOVER — 4 monthly moving total — October 1976

Those expecting production/sales turnover in the next 12 months to:	July-Oct. %	June-Sept. %	May-Aug. %	Apr.-July %	Eng'g. (non-elect.) %	Chemicals & Oils %	Shipping and Transport %
Rise over 20%	1	3	5	5	4	—	—
Rise 15-19%	7	3	1	3	18	20	—
Rise 10-14%	13	11	11	11	16	21	4
Rise 5-9%	21	25	26	24	38	9	—
About the same	49	44	46	46	23	50	96
Fall 5-9%	3	3	3	3	—	—	—
No comments	6	11	8	8	1	—	—

CAPACITY AND STOCKS

Localised constraints

THERE HAS been a noticeable increase in the number of companies which are rather more inclined to report supply constraints than previously, though these problems are still highly localised. Shortages of skilled factory staff are reported by several companies covered this month with a clear impact on the four-month moving total. A scarcity of raw materials and of certain components is also mentioned by some companies. But, overall, there has only been a small reduction in the index showing the extent to which production is affected by demand rather than by supply constraints.



There has been little change again in the indicator of capacity levels with about a third of the sample working at below target capacity. The limited nature of the recovery so far and caution about prospects is also suggested by a slight decline in the indicator about levels of stocks over the next 12 months. Moreover, there has been a rise for the second successive month in the indicator showing the extent to which companies say their stocks are too high in relation to current sales trends.

CAPACITY WORKING — 4 monthly moving total — October 1976

	July-Oct. %	June-Sept. %	May-Aug. %	Apr.-July %	Eng'g. (non-elect.) %	Chemicals & Oils %	Shipping and Transport %
Above target capacity	17	16	18	12	1	32	—
Planned output	49	49	46	46	63	7	96
Below target capacity	32	30	32	38	36	61	4
No answer	2	5	4	4	—	—	—

STOCKS — 4 monthly moving total — October 1976

Raw materials and components over the next 12 months will:	July-Oct. %	June-Sept. %	May-Aug. %	Apr.-July %	Eng'g. (non-elect.) %	Chemicals & Oils %	Shipping and Transport %
Increase	37	38	38	37	43	25	4
Stay about the same	44	42	45	48	41	34	86
Decrease	16	13	10	7	16	41	—
No comment	3	7	7	8	—	—	10
Manufactured goods over the next 12 months will:							
Increase	28	30	25	22	47	—	—
Stay about the same	49	44	45	48	20	95	—
Decrease	7	6	9	7	8	—	—
No comments	16	20	21	23	25	5	100

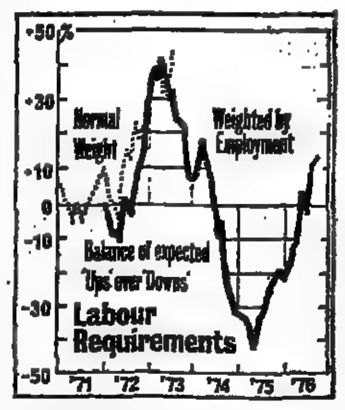
FACTORS CURRENTLY AFFECTING PRODUCTION — 4 monthly moving total — October 1976

	July-Oct. %	June-Sept. %	May-Aug. %	Apr.-July %	Eng'g. (non-elect.) %	Chemicals & Oils %	Shipping and Transport %
Home orders	89	92	91	91	92	93	15
Export orders	48	50	42	42	85	63	53
Executive staff	2	2	4	2	—	5	—
Skilled factory staff	16	8	5	3	23	41	42
Manual Labour	3	3	3	3	8	20	—
Components	8	4	4	1	17	22	—
Raw materials	12	8	7	7	12	25	—
Production capacity (plant)	6	9	8	5	8	—	—
Finance	—	1	1	1	—	—	—
Others	6	7	5	4	—	20	—
Labour disputes	5	8	6	11	15	—	—
No answer/no factor	5	4	5	4	—	2	42

INVESTMENT AND LABOUR

Spending upturn

THE PROSPECTS both for the demand for labour and for capital investment are continuing to improve, though only slightly compared with last month. Both the engineering, and the chemical and oil sectors were more optimistic about increasing their employment levels than they had been in June with the former sector referring in particular to the impact of hopes of increased export demand. But the percentage of companies expecting their labour force to rise during the next 12 months is still less than a third of the total and the net balance for an increase is small.



Engineering companies are more optimistic about capital spending over the next 12 months than chemical groups. But no more than half the four month sample (weighted by capital expenditure) are expecting a rise in the volume of investment during the coming year, though this index has shown a further improvement.

There has been little change in views on liquidity, although all three sectors covered said they were more likely to need further outside finance for capital spending during the next 12 months than they were in June—medium term bank loans were particularly mentioned.

LABOUR REQUIREMENTS (Weighted by employment) — 4 monthly moving total — October 1976

Those expecting their labour force over the next 12 months to:	July-Oct. %	June-Sept. %	May-Aug. %	Apr.-July %	Eng'g. (non-elect.) %	Chemicals & Oils %	Shipping and Transport %
Increase	32	28	21	24	49	36	—
Stay about the same	49	54	56	55	51	33	65
Decrease	19	18	23	21	—	31	35

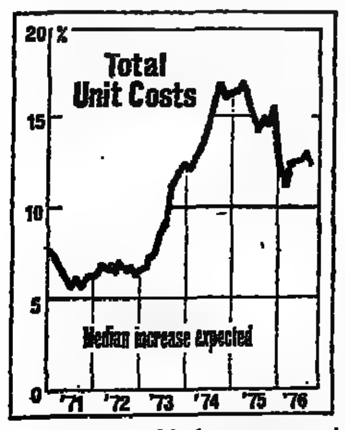
CAPITAL INVESTMENT (Weighted by capital expenditure) — 4 monthly moving total — October 1976

Those expecting capital expenditure over the next 12 months to:	July-Oct. %	June-Sept. %	May-Aug. %	Apr.-July %	Eng'g. (non-elect.) %	Chemicals & Oils %	Shipping and Transport %
Increase in volume	46	45	43	40	74	38	2
Increase in value but not in volume	25	11	9	10	15	27	77
Stay about the same	11	23	24	20	—	5	—
Decrease	17	18	22	28	11	30	21
No comment	1	3	2	2	—	—	—

COSTS AND PROFIT MARGINS

Price worries remain

A SLIGHTLY more optimistic view is being taken this month on both costs and prices during the next 12 months though the change cannot really be seen as significant. The overall impression is still of a levelling out during recent months in expectations about the expected rise, rather than a decline which would presumably have occurred if earlier Government inflation hopes were to have materialised. About three-fifths of the sample expect both unit costs and prices to rise by between 10 and 14 per cent. during the coming year.

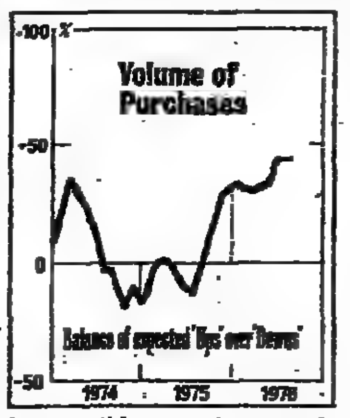


On profit margins, the indicator of the balance expecting an improvement during the next 12 months as opposed to a contraction has remained constant for the second successive month. The more hopeful view taken by the chemical and oil, and the shipping and transport connected sectors has been offset by a more pessimistic response in engineering. All three sectors are more optimistic about increasing earnings on capital employed.

These surveys, which are carried out for the Financial Times by the Taylor Nelson Group, are based upon extensive interviews with top executives about their companies' situation and prospects.

Three industries and some 30 companies are covered in turn every month. They are drawn from a sample based upon the FT-Actuaries Index, which accounts for about 60 per cent. of the total turnover of all public industrial companies. The weighting is by market capitalisation, save where an alternative method of weighting is specified.

The all-industry figures are four-monthly moving totals, covering some 120 companies in 11 industry groups (mechanical engineering is surveyed every second month).



Complete tables can be purchased from Taylor Nelson and Associates Ltd.

COSTS — 4 monthly moving total — October 1976

	July-Oct. %	June-Sept. %	May-Aug. %	Apr.-July %	Eng'g. (non-elect.) %	Chemicals & Oils %	Shipping and Transport %
Wages rise by:							
0-4%	22	22	22	24	16	7	4
5-9%	46	42	43	37	63	48	54
10-14%	12	16	17	20	13	25	42
15-19%	14	11	10	9	8	20	—
No answer	6	9	8	10	—	—	—
Unit costs rise by:							
0-4%	1	1	1	—	—	—	—
5-9%	15	8	16	22	25	46	42
10-14%	61	61	49	45	49	54	47
15-19%	9	14	19	20	6	—	1
20-24%	1	4	6	6	—	—	—
25-29%	—	—	—	—	3	—	—
Decrease	—	—	2	2	—	—	—
No answer	13	12	7	5	17	—	10

PROFIT MARGINS — 4 monthly moving total — October 1976

Those expecting profit margins over the next 12 months to:	July-Oct. %	June-Sept. %	May-Aug. %	Apr.-July %	Eng'g. (non-elect.) %	Chemicals & Oils %	Shipping and Transport %
Improve	44	43	44	39	32	70	42
Remain the same	46	45	45	44	52	25	48
Contract	9	8	9	14	16	5	10
No comment	1	4	2	3	—	—	—

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The Executive's and Office World

EDITED BY JOHN ELLIOTT

EXECUTIVE HEALTH

BY DR. DAVID CARRICK

Loyalties of a company doctor

THE PRACTICE of medicine is a lonely pursuit. In the course of a clinician's life he has to listen to confessions; to attempt to give advice on problems not always of a strictly medical nature; to know of the severity of hopeless maladies unknown to the patients; and all these secrets must be locked in his heart.

Because of this grim responsibility, an inevitable barrier grows up between the physician and laymen. It has nothing to do with the Hippocratic Oath, but it does explain the so-called *mystique* of medicine which is acquired very early in a medical career and, contrary to the beliefs of some, it is no cosy cushion against adversity, but rather a burden that increases in weight as experience grows.

From this isolationism grows a fierce sense of individuality and independence, and it is no wonder that, in countries under the absolute domination of one man or an élite clique, a doctor is regarded with suspicion and his profession debased. Consider, for example, those few Russian psychiatrists who treat "deviationists" as mentally ill and subject them to drugs, electro-shock therapy and other sophisticated methods designed to help the insane, not to "correct" the sane.

. . . overcrowded surgeries . . .

U.S. ethics

Even in North America, self-proclaimed bastion of liberty and individualism, medical ethics and practice are sometimes subjected to subornation by pecuniary or promotional prospects. Thus it is that, in a few instances, doctors, like wanton ciphers, lend their professional status to big business for the purpose of removing difficult employees for "medical reasons" when no other excuse can be found.

So far, in our own much maligned country, whatever shortcomings we may have, neither type of medical abuse occurs. True there have been ominous straws blowing in the political cyclones that beset us, but our ancient medical tradition displays an ingrained revulsion to improper political or pecuniary pressures and it is hard to see in what way these invaluable roots, embedded in many centuries of good earth, could be dislodged without bringing disaster to the psychopathic plunderers.

Perhaps the doctor most vulnerable to pressures at variance with his probity and to the consecration of his calling is the company physician who, unless possessed of the agility of a cat, may find himself in conflict with management for seeming to be too sympathetic with employees, or by the latter for seeming to be the mere creature of the establishment. But, so long as he is blessed with another feline virtue, namely the ability to withstand the bitter loneliness of isolated independence, he can resist the temptation to capitulate to the charms of mammon or false popularity. Unlike the cat, however, never must he entertain delusions of infallibility.

Impartiality must be his watchword as, indeed, it should be with all doctors; and, by his constancy and adherence to the code of secrecy with regard to each patient is built up the absolute trust all can put in him. Such trust permits employees who are troubled by matters concerning work or, indeed, worries of a more domestic nature, to reveal them without a scintilla of fear. Sometimes the only solution to work problems is to be found by talking to the patient's superior, but such action must never be taken unless permission is given or request is made by the supplicant. Then, and then only, can the physician act as mediator to the advantage of both parties.

Because the company physician in his gazebo is enabled to see very early signs of stressful situations in certain areas of the working complex, he is able to warn management so that its house can be put in order. Again there is no breach of confidence because no names are volunteered nor can they be extracted by inquisition. Thus, salutary intervention and mediation should be of benefit both to the individual and to the health of the entire organisation. And entire means what it implies. To the physician, the highest executive and the most junior typist are patients without rank. Perhaps the same philosophy should be adopted in other spheres because, in any efficient organisations, each employee should be essential, for this is the very basis of successful business.

The company physician has many duties peculiar to the microcosm in which he functions. These include the usual duties of a medical officer with respect to accepted public health regulations, including such matters as lighting, heating, noise, overcrowding, cleanliness, safety, etc. But the physician employed in this capacity must have a profound understanding of the many facets that make up the kaleidoscope of a large and complex organisation. Knowing humanity is not sufficient. Further, in these days of overcrowded surgeries and a reeling Health Service, the resident physician is increasingly concerned with the physical and mental health of employees. Since disease is no respector of persons or time, it does not conveniently and thoughtfully strike only when individuals are spending the relatively short period of a working day at home; nor is it aware of surgery hours.

Never before in history have so many people indulged in commuting, often over very great distances from home to work, and it is becoming increasingly desirable that they should have the benefit of medical help in each of their worlds.

Only large and enlightened organisations have medical departments and, in these days of economic hardship, the question can be asked: "Can we afford a department that makes no profit?" At first sight the question is not unreasonable: more careful scrutiny reveals that the questioner is lacking in a grasp of elementary economics. To the obtuse, the answer to the question is a quick and firm negative and, to such a person, one might expect a similarly myopic view of other matters. He should object to life assurance, property insurance and even the fire-brigade because none makes a profit for him.

A profit

The wise, however, will realise that the medical department does in fact make a profit—a negative one, which may well far exceed the positive profits of tangible endeavours. No man and no computer can measure such values because of their intangibility. For example, if a valuable employee is able to remain at work instead of being off sick for days or weeks, how much is gained or how much is not lost? Again, if an individual's stress symptoms are impairing his output and contaminating his colleagues, what value can be put on his restoration to health? And, as an extreme example, one must ask the very value of a man's life to him, to his family and to his firm. Certainly none of these few examples can be measured in monetary terms and, therefore, are beyond the abilities of a mechanical mind whether it be encased in metal or flesh. Perhaps he should read and try to understand the wisdom of Ecclesiaticus:

> *"Health and good estate of body are above all gold, and a strong body above infinite wealth."*

But only *real* men can appreciate such sentiments.

Guide to producing house journals

A GUIDE explaining how an internal company house journal or newspaper is put together has been published by the Industrial Society. It is aimed primarily at people who are starting to edit a house journal or who, although already involved in employee publications have limited experience of handling written copy, pictures and layout of pages.

In a forword Mr. John Garnett, director of the Society, says. "The involvement of people in the enterprise, informing them of what is going on and why, the explanation of organisation policy and progress are vital aspects of communication."

In written and pictorial form, the book describes how pages are prepared and explains technical terms involved in layout and printing.

The House Journal Handbook. By Peter C. Jackson. Industrial Society, 48 Bryanston Square, London W1H 8AH. Price £10.

A former secretary has risen to become managing director of a Hill Samuel unit trust company

Woman in a male preserve

BY CHRISTOPHER HILL

TO RISE from secretary to managing director would be a success story in any career terms, but Audrey Head — the new managing director of Hill Samuel Unit Trust Managers — is even more unusual in that she has risen to the top of an essentially male preserve in the City. True, her progress has not been exactly meteoric, for the process of getting to the top of this £100m. division of the Hill Samuel group started in 1957 and it was not until 1969 that she became the first woman manager in the group. But in 1973 she became a director and now at 52, she has overall responsibility for expanding Hill Samuel's unit fund interests in what is, to say the least, a difficult climate.

The situation was rather different when she started at Philip Hill, Higginson, one of the original components of the group, and perhaps the main feature of her career is that she gradually created a job for herself in what was at the time the relatively new field of unit trust management. Originally she was secretary to Henry Moore, then joint managing director with Sir Kenneth Keith, but lost no time in moving out of the secretarial role when Philip Hill launched its first unit trust.

She suggested to her boss that she would be useful on the administration side of the new venture and turned out to be right. By using the block-offer method of promotion, what was then the British Shareholders Trust sold 8m. units to the public in five days—leaving the managers "absolutely submerged" in money and paper. For the next few months she worked 13 hours a day until 9 p.m. every night; but Audrey Head had got out of the secretarial rut and was in at the start of an expanding business.

From then on it was a matter of setting up a register of unitholders and the machinery for making a daily price for the units. Systems were manual in those days and much of her time was spent corresponding with unitholders. She reckons this was useful because it gave her an insight into the problems of investors. Moreover, in those pre-computer days it was not only a matter of letter writing. Once a barrow boy stopped outside the bank and called personally with handfuls of cash to put into the trust.

Audrey Head

Now, with eight trusts to manage as well as ancillary funds like an agricultural fund, the computer has become the mainstay of administration and has enabled more sophisticated unit-linked savings schemes to be introduced along with automatic reinvestment of income. This meant that over the years her range of responsibilities increased. For example, she runs the unit "book." This sounds mystical to the layman but essentially amounts to the management company acting as a jobber in its own units, taking repurchased units onto its own account and reselling them to new unitholders. This is a highly responsible job because it is possible to make losses as well as gains.

Audrey Head also had a spell on the insurance and shipping side of the group based at Croydon and has gradually spread her activities into the marketing area. Here she acknowledges a debt to one of her predecessors, Charles Wodehouse (now with Trident Life) who joined the company with a marketing background and introduced a more aggressive quality into Hill Samuel's previously somewhat restrained promotional activities.

From now on she intends to continue to work closely with Hill Samuel Life in the unit-linked business and is trying to devise a simplified form of advertisement to "get in the younger people." She shares the view of most unit trust managers that the main thrust of marketing units is now through professional advisers and that the purpose of newspaper advertising is to keep the name in the public eye rather than to pay for itself in sales terms.

Her transition from an important backroom position in a unit trust group to being in the public eye she feels has been rather abrupt and she admits that she does not like public speaking. But she accepts the fact that she will be spokeswoman for the group.

This philosophical and determined attitude has characterised her rise through the ranks and her belief is that the reason why most women do not succeed in business is because they do not really want a full career. She is single, but believes she would have succeeded just as well if she had been married, although clearly a family would have made a difference.

Fundamentally Audrey Head started out with ambition and her recipe for success for either sex is to "do your job properly and look for more work." If the latter is not available her advice is to leave. She also believes that it is important to be in the right area at the start and admits that if she had opted for the investment management side of unit trusts she would not be managing director of the company to-day.

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MONDAY, NOVEMBER 1, 1976

Dealing with intangibles

THIS WEEK the Government will have two important aids to help it take the economic decisions for which we have been waiting so long. The National Income Forecast is at last emerging from the Treasury computer and the IMF team is arriving for serious discussions. The two events are closely linked. For the prospect which the British side will present to its creditors will be based to a large extent on the official forecasts; and the IMF itself is keen to see them if only because of the great reliance placed on them by Whitehall.

One thing is already clear even to adherents of the traditional forecasting approach. This is that it is quite impossible to present the outlook for 1977 in terms of a single set of numbers even with a margin of error. Normally forecasters assume unchanged policies. But what can "unchanged policies" mean to-day. Does one assume that MLR stays at 15 per cent. or goes even higher? Or, is it to be brought down to a more normal level; and if so how quickly, and how far?

Competitiveness

It is also customary to assume that the exchange rate moves sufficiently to maintain international competitiveness. But what happens if the exchange rate is already 10 per cent. lower than required by the movement of comparative cost and prices? Is sterling expected to stabilise, to recover or to continue to fall but at a slower rate?

The one thing that is clear is that the 4-4½ per cent. growth prediction of last July now retreats into the sphere of extreme improbability. It is already too late to achieve it in 1976; and Whitehall officials have warned us not to read too much into one month's slight improvement in the unemployment figures in October. This makes one suspect that the Treasury does not expect much increase in the demand for labour in the months ahead. A realistic rate of expectations for growth from now till the end of 1977 would be nought to 3 per cent.

The National Income Forecast was preceded in the normal way by the report on World Economic Prospects. This is a much less sensitive document which any firm willing to sign a planning agreement could have for the asking. It suggests that the slowdown in world trade in the middle of 1976 is temporary and that a return to moderate expansion may already be taking place. The combination of domestic recession, resumed world growth and a highly competitive exchange rate ought to be good for the balance of payments. The Whitehall view, that the current balance could be in the black by the end of 1977, with some help from North Sea oil, could even be on the pessimistic side.

But all this is conditional on a tight control of domestic monetary expansion. It has been shown time and time again that exchange rate depreciation will not produce a payments improvement if monetary policy is on the wrong path; the difficulty of showing this in a forecasting model does not make it any less true.

The greatest difficulty in the forecasting process is to predict the effects of high interest rates and credit rationing. Government supporters have been regaling us with horror stories of the likely effect of cutting large sums from public spending. But these stories leave out of account the other side of the balance, namely the effect on credit conditions of trying to finance the existing borrowing requirement within the strait-jacket of a fixed money supply limit.

Minimum

The figures which emerge from the conversation of numerous individuals in the political and financial worlds are just as important as the arithmetical analysis. The view is now firmly entrenched that a cut in public sector borrowing of £2bn. is the minimum necessary. An attempt to get away with £1½bn. would be a gamble; and anything else could put sterling in trouble for a further period. Thus the range of options is fairly narrow. In deciding on whether to cut spending or raise the already high burden of taxation, we could do with a little imagination in dealing with intangibles—such as the reaction of workers to tax increases—which the Treasury's formal world cannot hope to show.

The narrowing of the gap

AT LEAST one of the latest opinion polls now puts the outcome of the U.S. Presidential election to-morrow so close as to make prediction unwise. That in itself is a marked change from the situation only a few weeks ago when it seemed that Mr. Jimmy Carter, the Democratic candidate, could afford to lose one percentage point a week and still win handsomely. But in a way it is not surprising. Mr. Carter blitzed the Democratic primaries, but still had to explain precisely what he stood for, and indeed who he was, to a wider constituency. President Ford found himself in a remarkably close race with Governor Reagan for his own party's nomination. When he turned to the election proper, he had some good cards in his hand—honesty, experience and even results: even when he tended to play them badly, as he did so often, they remained potentially retrievable.

Mistakes

Yet it has not been an impressive campaign. It is the candidates' mistakes rather than their successes that stick in the memory: Mr. Carter's remark about preserving ethnic purity, his *Playboy* interview, his suggestion that the U.S. would do nothing about a Soviet invasion of Yugoslavia; and from President Ford the enforced resignation of his Secretary for Agriculture, Mr. Earl Butz, for a racialist slur, and the fluffing of his lines about Soviet hegemony in Eastern Europe. The balance there is probably about equal.

In theory the candidates started far apart on issues as well as in the polls. Here, too, the gap has closed. Mr. Carter wanted to cut defence, but has since become a trimmer more interested in greater efficiency than radical reductions. In the face-to-face debate on defence and foreign policy it proved impossible to pin him down. The record of President Ford may look more consistent, but only if the memory is short. Last year he, too, was among the cutters and changed his mind only after the dismissal of his Defence Secretary, Dr. Schlesinger.

It is much the same in the economic field and concerning Government expenditure. Mr. Carter is generally identified with attaching more priority to lowering unemployment rather than the rate of inflation, and President Ford the other way round. Yet one doubts if the distinction is anything like as clear-cut. In government it is necessary to attend to both and, perhaps wisely, some of Mr. Carter's promises have been blurred. On federal spending and the Washington bureaucracy, it turns out that he means that money and energies should be used more effectively rather than reduced. That was what he attempted as Governor of Georgia and he himself has admitted that both expenditure and the State pay-roll actually went up.

Turn-out

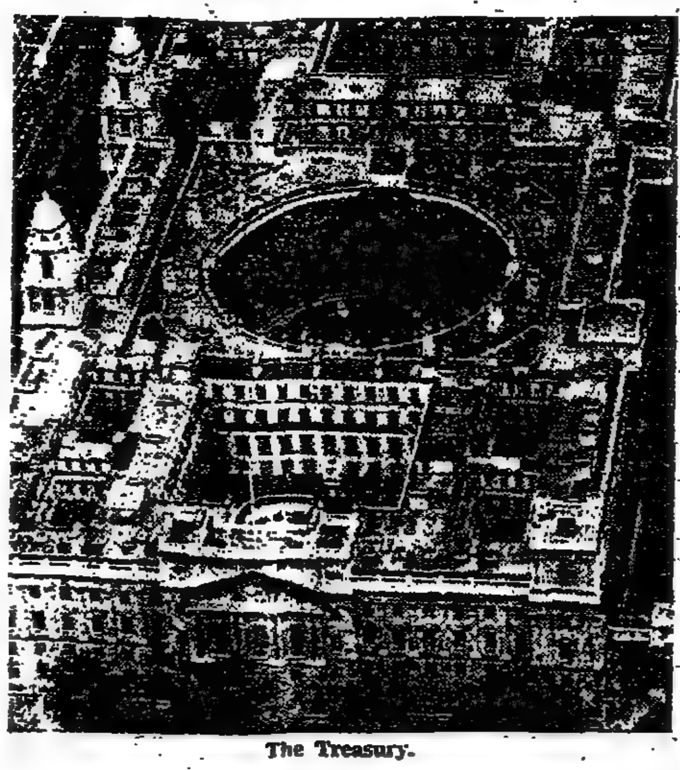
It is sometimes said that the apparent lack of interest in the campaign and the probable relatively low turn-out are a measure of the mediocrity of the candidates and of disillusion with the political system. The former may be true, though not the latter. It is, in fact, an advantage that there are no great issues such as Vietnam to stir the passions and a low turn-out does not in itself mean that the electors are turning against the U.S. system of government. They may rather have concluded that between Mr. Carter and President Ford there is no great difference. If so, it is a case where popular and sophisticated opinion coincide.

Public spending: smaller figures make better sense

BY ANTHONY HARRIS

THE announcement last week that the Treasury has re-defined some of the figures in the public expenditure budget to produce a smaller total has caused more suspicion than rejoicing. After all, the Chancellor of the Exchequer himself recently told Parliament that the time had come to re-define some of the figures in a way more similar to the accounting conventions in other countries.

It is certainly true that the desire to produce less alarming numbers has helped to speed the work along. In other words, it looks rather like window-dressing. Admittedly, it could have been carried further. The change in the treatment of public sector investment and interest payments has reduced the total from a (highly misleading) 59 per cent. of GNP to 52 per cent.; but if European conventions had been applied to national insurance payments as well, with only the Central Government subvention counted, the total would have fallen to 45 per cent. Restrained window dressing perhaps.



The Treasury.

The Treasury, however, makes quite a different claim for its new presentation: it is the more or less accidental result of an exercise intended to produce figures which make better sense in a number of ways: they not only come nearer to international standards, they eliminate a certain amount of double (or in fact treble) counting, and above all, they result in figures which offer a much better measure of what is being demanded of the taxpayer, or added to the borrowing requirement. To use a management phrase, the reform is aimed at better financial control information.

The first point to grasp is that there is nothing inherently unlikely about this claim. Public expenditure, carefully analysed, proves even harder to define and measure than figures such as the level of unemployment or the size of the money stock. Occasionally this problem comes to the surface. For example, when the Conservative Government abolished investment grants and restored investment tax allowances, a large saving of public expenditure was claimed, and in one sense the claim was true: the total figure for expenditure was reduced by the amount of the grants. However, the restored tax allowances led to a more or less equal loss of revenue, so that the Government's finances did not benefit at all—as the Treasury itself took pains to point out in the White Papers on public spending. The effect was mainly (though not entirely) one of presentation.

Since the late Mr. Iain Macleod actually appears to have believed that the change would reduce public spending in some meaningful way, the whole episode illustrated the dangers of looking at the totals for public spending in isolation; we have subsequently become much more sophisticated. The same administration later produced the proposal for a tax credit scheme which might, on some readings, have appeared as an enormous increase in public spending, but public discussion was concentrated on the net cost and the net effects.

Nationalisation raises some similar problems. For example, the present public spending figures include Government purchases of company shares for cash, for the excellent reason that it adds to the borrowing requirement: but it does not include the cost of nationalisation when shares are directly exchanged for new public sector stock—the equivalent of a private takeover by share exchange—because no additional borrowing is involved. The distinction is practical, but a bit arbitrary. If one is concerned with the use of resources, then neither form of nationalisation involves any spending, in the sense that resources are used when the civil service expands or a new airport is built. If one is concerned with financial markets, it does not matter very much whether the total gilts portfolio grows through an issue in exchange for shares, or the issue of a tap stock: in either case, a bigger supply will drive prices down and interest rates up. There is in fact no perfect, all-purpose answer.

Some other problems concerned with nationalisation are in fact at the core of the changes which the Treasury has now proposed along with some equally tricky points about housing. The basic problem is this: when an industry is nationalised, both its capital spending and its payments to shareholders are suddenly counted in the total of public spending. This corresponds to no "real" change in the economy: the building of a steelworks has the same productive significance whether it is private or public, and payment of interest to shareholders has much the same economic significance as the payment of dividends. The arguments about nationalisation are arguments about efficiency and control, not about the level of public spending: the figures are not only misleading, but irrelevant.

Where investment is concerned, the Treasury has decided that so far as public corporations are self-financing, their investment and interest payments should be left out of the public spending figures; but when they need central government loans to finance their investment, or subsidies to help them pay their interest costs, then these burdens on central government borrowing and revenue will be counted. In other words, market-related investment is left out *so long as it can be financed from the market:* but where nationalised industries are unable to earn enough money to finance these outlays—either because their operations are inherently loss-making, or because of price restraint, the public purse is charged.

That obviously makes good rough sense, and certainly improves financial information, for it will concentrate attention on the industries and corporations which are in fact a burden on the taxpayer; but it is worth pointing out that the new answer, though certainly an improvement on the old one, still poses problems. After all, the real test of investment decisions is not the present financial state of the body responsible for the investment, but whether the investment will be profitable in future. Concorde would be a bad investment, even if British Airways were earning enough money to buy the aeroplane with its own funds. A North Sea pipeline is likely to be highly profitable, even if the British National Oil Corporation has to go to the Government for the funds to pay its share. The test of whether the public sector makes wasteful investment has little to do with how the investment is financed. No information system gives all the answers; the Treasury has chosen to give answers which are more helpful from the point of view of short-term financial control, but possibly less helpful for long-term planning: indeed, the "old" presentation, covering total investment, will still be published in future White Papers so that the use of resources, rather than the financial burden, can be discussed.

Debt interest is an even trickier question. The new rule, which says that interest payments financed from receipts will be left out of public spending figures, produces a most dramatic reduction of the total payment shown, from nearly £5bn. to £1bn. in 1975-76. Yet it can be argued that the new figure in some senses understates the burden.

Where the public corporations are concerned, the new presentation makes the best sense: so far as growing interest charges can be recovered from the market, there is no addition to public spending. On the other hand, higher interest charges probably mean higher prices, and the old presentation did help to underline the fact that interest payments are a burden on the public, (as well, of course, as a source of income to investors); whether they are paid through Government subsidy or higher prices.

Housing is a more complicated issue. First, the public authorities are a considerable force in the mortgage business, and so far as they have acted simply as publicly owned building societies, collecting interest from mortgagees and passing it on to the Government which provided the money in the first place, it is quite obvious that the interest receipts ought to be netted out of the cost. This accounts from about £600m. of the reduction.

However, the big burden is the cost of financing public sector housing. Here, part of the interest cost is recovered from tenants, and may legitimately be netted out; but part is covered by housing subsidies. So far, housing subsidies have been counted as expenditure by the Government, and income in the hands of the housing authorities; and in a third counting, the interest payments they finance are counted again as public spending. This treble count — twice as expenditure once as income—produces the same answer in terms of the financial balance as the new single count proposed, but it does result in higher figures for both revenue and expenditure. In future, housing subsidies will appear, as before, as public spending; but the reverse flow of interest payments, first to the Government, and on to the market will be ignored. The gain in clarity is not so obvious here except to those obsessed with totals, for it tends to understate the importance of interest rates for total public spending. When interest rates rise, housing subsidies tend to rise too (indeed this was at one time fully automatic); and if rates fall, it is subsidies rather than rents which are likely to be cut. A rise of interest rates will not merely raise the £1bn. of "dead weight" interest shown in the new presentation: it is likely to impose higher costs for housing subsidies, and to reduce the surpluses of public corporations. The fact that higher interest rates are a burden was more obvious from the old figures than from the new.

Finally it must be stressed that no presentation will give all the answers. The totals for expenditure, which, as has been seen, can be highly ambiguous, are of almost no use on their own (and still less when measured against GNP, a figure made up in a different way). There is only one test for the level of public expenditure: can it be financed from taxes which taxpayers regard as fair, or from borrowing which does not overburden financial markets? No change of presentation will affect that test, under which present policies are clearly a disastrous failure. But even here, there is a final ambiguity: even a reasonable level of public spending can be made to seem intolerable if the tax system is wildly out of balance and if financial markets are handled in ways which induce nervous collapse. No figures on their own will tell us just who is to blame for what.

PUBLIC EXPENDITURE, 1975/6
(by economic category)

	Presentation:— Old £bn.	New £bn.
Current expenditure on goods and services:—		
central government	13.9	13.9
local authorities*	9.9	9.9
Subsidies:—		
central government	3.2	3.2
local authorities*	0.3	0.3
Debt interest	4.8	
" " not covered by receipts and charges	—	1.0
Current grants to personal sector:—		
central government	10.5	10.5
local authorities*	0.6	0.6
Gross domestic fixed capital formation:—		
central government	1.5	1.5
local authorities	4.1	4.1
nationalised industries	3.1	—
other public corporations	0.9	—
Central government lending to:—		
nationalised industries	—	0.6
other public corporations	—	0.9
Other	3.5	3.5
TOTAL	56.3	50.0

* Local authority spending will be analysed to distinguish between that part under direct Government control and that under local control. Financial Statement 1976/7: estimated out-turn. At current prices.

DEBT INTEREST PAYMENTS IN 1975/6
OLD AND NEW BASES

		(current prices) £m.
Interest payments—new basis		1,036
Interest payments financed by interest receipts:		
from the private and overseas sectors	578	
from the nationalised industries	934	
Total		1,512
Provision from trading surpluses, rents, etc:		
by Central Government	4	
by local authorities		
housing accounts	1,272	
other trading activities	65	
by other public corporations*	632	
Total		1,973
Total of above—interest payments by public sector, excluding nationalised industries, to the private and overseas sectors		4,521
Nationalised industries' interest payments to the private and overseas sectors		326
Total public sector debt interest payments, consolidated—old basis		4,847

* Other than nationalised industries.

MEN AND MATTERS

What are we saying?

We gave the Americans the English language, but down the years they have got their own back by exporting jargon which gradually seeps into daily usage here. So I think it only fair to give warning of the latest crop of such expressions which a correspondent has kindly gathered. Here goes:

"Sausage boutique" is a hot dog stall: a "grief therapist" is an undertaker: "controlled land fill" is a municipal rubbish tip: and finally how about "productivity compensated remuneration"? Piece work, of course.

How long can we resist such an onslaught? The omens are not good: a Surrey local newspaper reported last week that Reigate Town Hall is in dire need of renovation, and that councillors "agreed to prioritise the repairs for next year's budget." Ouch.

AIB switches round again

In its seven years of consortium banking life, Atlantic International Bank has had a relatively large number of top management switches, and early on three of its original eight shareholders departed. Now, the one British shareholder is selling, and senior executive moves duly follow.

Charterhouse Japhet is planning to dispose of its 16⅔ per cent. stake to Manufacturers' National Bank of Detroit, which thus winds up with almost 42 per cent. of London-based AIB. Until now, changes there have been due to internal factors. But AIB has eventually been caught up in the general drift away from consortia by U.K. banking houses concerned about the continual capital needs created by their offsprings' rapid growth.

AIB's fourth managing director has been Clive Sanders, a tall, engaging American, born in Britain, who made his banking name taking California's Wells Fargo into the international scene. Sanders joined AIB in mid-1974. He is being replaced by 36-year-old John Cannis, Manufacturers National representative in Europe.

Sanders' particular mark on Atlantic International was its specialisation in Latin American business. Almost 35 per cent. of AIB's loans were for that part of the world in the 12 months to last July—"a most successful year" in his and chairman Hilton Clarke's words. (Clarke is a retired Bank of England senior official, once Charterhouse Japhet's chairman.)

Sanders, 46, will be staying as an executive director until his contract expires next March. Then he will be "looking around," a process that could take him back to California, he said yesterday. AIB has been run with "a high degree of autonomy," he added, but the new major shareholder had expressed a preference for its own man being in charge. Sanders insisted that the consortium concept remained quite valid, though he reckoned there would tend to be "bigger and stronger" groupings developing in future.

Deliverance

Recent items on oddities to be found in hotels and on envelopes have prompted a couple of readers to send in other and more bizarre specimens. You may recall my report of the reply paid envelope addressed to the Irish Life Assurance Company which advised on the back that in the event of non-delivery, it should be returned to . . . Irish Life Assurance, same address. . . .

Jolly, but bettered by the envelope received by a shareholders in the Joseph Shakespeare Company in connection with a "Rights" issue. The printed address is the registrar's department of Lloyds Bank in Goring-by-Sea, Worthing, Sussex. On the same side, top left hand corner, is the message "If undelivered, please return to—Registrar's Department, The Causeway, Goring-by-Sea . . . ."

Then there was the strangely worded breakfast card issued by a Seoul hotel: another, originating from much nearer home—the Holiday Inn in Lille, France—advises that Continental breakfast is served with "roll, croissant, pain and butter."

Reader Michael Foreman, who spotted it, adds that a message in each room asked guests in case of fire to call the "frond-desk." Ah, the old Palm Court again.

Island notes (1) . . .

The more troublesome life gets in mainland Britain, the more the fringes seem to be making efforts to ease the financial burdens of life. In the Channel Islands, for instance, Guernsey's Parliament has agreed to the preparation of legislation to scrap the feudal dues collected by the Crown and local seigneurs and dames. This mostly involves congé, a 2 per cent. levy on the purchase prices of land and property. Such dues on crown land realised £350,000 last year, and the seigneurs have collected as much as £80,000 annually.

Meanwhile, in the same part of the world, the tiny island of Sark (population 570) is reducing its "poor tax" from 30p to 27p a quarter. A quarter in Sark terms is a vergee of land, which is just under half an English acre. The concession is being made because this, the island's only direct tax and a levy on landowners to subsidise needy inhabitants, has built up a £4,000 surplus.

At the same time, Sark is raising poor residents' subsidies from £13 to £14 a week, and has rejected proposals to increase the annual public house licence of £9. While agreeing the licence fee is too low, Sark's parliament considers that "this period of financial depression" is not the time to go increasing such things.

. . . and (2)

The international cigarette company Phillip Morris came up with what it thought would be a sure winner to increase its share of the market in New Zealand. It decided to give away $10,000 by inserting $10, $5 and $1 bills in a number of cigarette packets.

Unfortunately for the company the scheme has backfired because New Zealanders appear to be too honest. Lucky buyers of the packets containing the notes assumed that workers in the cigarette factory had lost the money while packing the cigarettes and returned the notes. This gave the company more publicity than the original give-away scheme. Now the New Zealand Police are wondering uncharitably whether free money in a cigarette packet contravenes the gaming laws.

Speak up

A reader received this circular from his newsagent: "To reduce book-keeping, all weekly accounts will in future be rendered monthly, and all monthly, quarterly. Quarterly ones will be rendered quarterly as before, if you have one. But if you wish to have a weekly account weekly, or a monthly one monthly, you have only to say the word." But not in front of the children.

Observer

FINANCIAL TIMES SURVEY

Monday November 1 1976

Bahrain Banking and Finance

Partly because of the fighting in Beirut and partly as a result of deliberate policy, Bahrain is on the way to becoming a regional and service centre for the Middle East. The decision to set up as an offshore banking centre was taken after much consideration, and this project is now being carefully carried through.

A new centre for the Gulf

By Robert Graham

PREDICTIONS IN the Middle East have an uncanny habit of turning out wrong. Too often there is an unexpected twist which upsets all the forecasts. Certainly the conventional wisdom three years back on Bahrain's development has been proved wrong.

The forecasts then were for a steady but unspectacular growth with the island capitalising on its central position in the Gulf, its good communications and the large reservoir of educated Bahrainis. But three twists have turned this scenario upside down. First, there was the quadrupling of oil prices in late 1973 which enabled Bahrain's big oil producer neighbours to indulge in ambitious (and extravagant) spending. Then in September last year Bahrain decided to become the first offshore banking centre in the Gulf. And finally the Middle East lost its traditional service centre as a result of the long-drawn-out fighting in Lebanon.

Thus circumstance and deliberate policy have combined to push Bahrain forward into becoming a regional banking and service centre for the Gulf. If the offshore banking operations really take root, bringing in their wake all the ancillary services, Bahrain could conceivably become *the* regional centre for the Gulf area, while at present it is merely one of several booming centres like Dubai or Abu Dhabi. However, this is mere hypothesis and the Bahrainis themselves, conservative by nature, are not dazzled by such ambition.

Nevertheless it is now official policy, as well as an article of faith, that Bahrain's economy should be service based. The large aluminium complex, Alba (Aluminium Bahrain) and the OAPEC dry dock now being built will be the only elements of heavy industry on the island.

Unlike its neighbours Bahrain cannot be extravagant. It does have oil but in very limited and declining quantities. Oil income is currently running at around $370m., equivalent to almost 85 per cent. of total revenues. This income has to be spread thinly to cover the development needs of the island's 265,000 population. To balance out the budget and overcome balance of payments problems, Bahrain is dependent upon assistance from Saudi Arabia, Kuwait and Abu Dhabi. This assistance is frequently difficult to quantify since it comes in the form of extra budgetary projects funded directly, or in discreet unmentioned grants, or, as in the case of Saudi Arabia, in a generous oil income sharing arrangement that gives Bahrain 50 per cent. of the take of a small offshore field. Without this assistance it is safe to conclude that Bahrain could not develop at the pace it does.

Spin-off

Of course being located in the very middle of the richest oil producing area in the world does provide Bahrain with a direct spin-off and will continue to do so. This is because Bahrain can add to its location the assets of a well-educated workforce, good communications, a competent administration and, perhaps equally important, a tradition of hospitality toward foreigners. It is this package of assets that Bahrain is now trying to exploit as it sets out to offer itself as a regional centre—and by the same token to come to terms with the potentially serious problem of providing jobs for a population increasing at 3 per cent. a year.

The Ruler of Bahrain, Sheikh Isa bin Sulman al Khalifa.

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Ebrahim Abdul-Karim, Bahrain's Finance Minister.

Even before Beirut closed down, there was an increasing movement of businessmen and businesses to locate themselves in the Gulf. But this trend has been accelerated by the events in the Lebanon. More than any other place in the Gulf, Bahrain has picked up the "refugees" from Beirut.

This said, it should be stressed that the concept of offshore banking in Bahrain was not produced on the back of the Lebanese crisis. The idea was to get the big international banks — the primary takers of funds from the region — to open offices in Bahrain, and by allowing off-shore or tax-free advantages they would transact on the spot some of the business which formerly went direct to London or New York. There was also the added advantage of Bahrain being able to operate both in the Singapore and London markets, situated as it is half way between the two time zones. Bahrain could further offer the region an extra two days' business, not being bound by the traditional Monday to Friday working week.

The Bahrain Monetary Agency was determined that offshore banking should not be—or become—a mere brass plate operation. So far, under very strict scrutiny, 32 licences have been issued, all to leading international banks. By the end of the year 26 of these banks are expected to have taken up their licences and started operations. Already the volume of business is running at $5bn. Moreover, during the space of six months a lively inter-bank market has developed and there is the first coherent attempt to evolve a money market dealing in the main regional currencies — the Saudi rial, the Kuwaiti dinar and the UAE dirham.

The number of licensed offshore banks is expected to increase by about ten during the coming year. Among those likely to come in are the Japanese who have been awaiting permission from their own Government.

Not all have come for the same reasons. Some have come for one motive alone, others for a combination of reasons. The main motives are as follows: extension of an existing commercial presence on the island, a first-time presence in the area, Middle East currency dealing and world-wide foreign exchange dealing, diversification away from other tax havens like Nassau (which may be becoming more difficult to operate from), and finally to picking up regional dollar deposits from the oil producers.

In the absence of major local development expenditure, the scale of purely local finance is limited. Thus the onus is on the offshore banking operation to spearhead Bahrain's development into a substantial financial centre. The success of offshore banking will be conditioned by a number of factors.

Principally the bankers must feel that it is worth their while to be in Bahrain. Certainly there are sufficiently diverse motives among the banks who have paid the $25,000 for an offshore licence to give the scheme a try. But several bankers do not hide that for them it is an experiment which could be terminated very speedily if this turned out unfavourably. Some banks are already concerned at what are very high overheads.

Any attempt to bring in taxes will frighten most away, and according to the bankers tax exemption is a sine qua non of their presence. So too is freedom from Government red tape and bureaucratic restrictions. This is why proposed legislation on labour laws and social insurance have caused such a stir. This legislation is aimed mainly at tidying up abuses in the construction industry—and to present a more progressive Government image on the labour front. But some see this as a foretaste of Government interference. Perhaps the Government should take the point that the bankers as a whole, though not all, are still nervous and have not finally decided whether Bahrain is the right place to be.

Sanguine

Concern like this can be settled, and a more sanguine view is that, literally starting from scratch, a very real degree of confidence has been built up between the bankers and the Government. This achievement has been largely due to the expatriate director of the Bahrain Monetary Agency, Mr. Alan Moore, whose brainchild the whole offshore scheme has been. In this respect the Government sooner or later is almost certain to wish to have a Bahraini in charge, and then it must ensure that the basis of confidence remains.

Those banks which came anticipating substantial dollar deposit business in their offshore operations have so far been somewhat disappointed. The bulk of the region's dollar surpluses still by-pass Bahrain. Any change in this pattern will depend on the extent to which Saudi private business and the Saudi Arabian Monetary Agency feel they need or want to use Bahrain. Bankers predict that it will probably be another six months or so before the cautious Saudis begin to show their hand. The Saudis will

CONTINUED ON NEXT PAGE

Keeping on the right lines

MUCH OF the credit for putting Bahrain on the financial map must go to the Bahrain Monetary Agency (BMA). Until it was established by Amiri decree on December 5, 1973, the banking community had been left pretty much to its own devices.

Its predecessor, the Bahrain Currency Board had been established in 1964, but it had been principally involved in introducing and administering the Bahrain dinar, the successor to the Gulf Rupee, an "external" Indian rupee which had previously circulated in the Gulf area. It had had no real power over the local banking community.

The BMA began to operate properly at the start of 1975 when the commercial banks moved their clearing settlement accounts over from the National Bank of Bahrain, though one left over from the past is the BMA's safe, which is still located in the offices of the Chartered Bank, and it is there that the agency issues and redeems its notes.

However, to all intents and purposes the BMA now acts as a fully fledged central bank. Its objectives and responsibilities are spelt out in great detail in the official decree 23, which runs to 40 pages and 112 articles and covers everything from the steps to be taken to cancel a bank licence to the frequency of Board meetings. Basically the BMA's powers are as follows: it has exclusive responsibility for the note issue; it acts as the government's banker (in concert with the Chartered Bank); it manages Bahrain's official investment portfolio and, finally, it regulates the banking system.

The Bahrain Government is closely supervising the agency during its formative years, the BMA reports directly to the Cabinet. During the initial five-year transitional period the Prime Minister acts as chairman of the Board and the Minister of Finance is the deputy chairman. The third member of the Board is also from the Ministry of Finance, and the other three are local merchants. Only Bahraini Nationals are allowed to be Board members. After the five-year transitional period the chairman and deputy chairman will become full-time executives of the BMA and will not be allowed to hold other jobs.

One of the first jobs the BMA undertook was to assume responsibility for the issue and redemption of bank notes which had until then been effected somewhat awkwardly against the transfer of sterling in London. The commercial banks maintain their cash and clearing accounts with the agency. In 1975 BD8.6bn. of currency was issued and BD1.5bn. was withdrawn, resulting in the currency in circulation increasing to BD26.4bn. External cover for the currency is looked after by the BMA.

Alan Moore, Director of the Bahrain Monetary Agency.

The agency also took over responsibility for the banks' clearing functions just under two years ago. Local banks and foreign central banks now maintain BD accounts with the BMA for the settlement of their transactions with each other and the agency. Direct transfers, especially in foreign exchange and interbank business, account for a large volume of the settlements. By the end of 1975 direct transfers were running at BD76m. per month and the clearing house volume was BD34m. per month.

Unregulated

Until the BMA came along the local foreign exchange market, had been an unregulated affair. Generally, in the Gulf States the bulk of the foreign exchange earnings are Government oil revenues, while the private sector has to pay for the imports and as a result there is often a shortage of foreign exchange to pay for them. The BMA undertakes to regulate the value of the Bahrain dinar in the foreign exchange market. The Government converts sufficient of its oil revenues with the BMA to satisfy local needs, and the BMA publishes daily rates at which it will buy and sell dollars, sterling, D-marks, Kuwaiti dinars and U.A.E. dirhams. As a result, the earlier violent fluctuations in the dollar rate have disappeared and the Bahraini dinar has emerged as one of the stronger currencies in the world.

Once it had sorted out its responsibilities with the note issue and the foreign exchange markets, the BMA turned its attention to the problem of interest rates, which had often tended to move erratically and be influenced heavily by international rate movements. Notwithstanding the region's rising prosperity much of the oil wealth is in Government hands and invested outside the Gulf, resulting in a shortage of local funds and a consequent rise in interest rates. The BMA now sets maximum rates for BD deposits which currently range from 6 per cent for one month deposits to 7½ per cent for 12 month deposits. In addition, the agency introduced dollar swap facilities. Any bank which cannot raise sufficient dinar deposits locally can buy a dollar deposit at the prevailing international interest rate and sell the dollars to the BMA at the price of the day. The BMA will then sell them back to the bank for the maturity date of the deposit. The difference between the two rates at which the BMA deals compensates the local bank for having to raise money more expensively than local interest rates permit. In 1975 the BMA supplied $460m. to the market in this way.

Another problem facing any country with an embryonic financial market, like Bahrain, is the shortage of liquid investment opportunities. A bank can lend money on property, for example, but cannot be certain that it will be able to liquidate its loan, say, in three months time. In a sophisticated financial system, such as the City of London, banks have plenty of alternative short-term investment to choose from, such as treasury bills, trade bills and certificates of deposit. They satisfy the banks' needs for liquidity as well as giving a decent rate of return. Because there are no such instruments in the Gulf, most of the banks have tended to invest their money overseas. To overcome this problem the BMA decided to restructure the borrowing of Alba, the local aluminium company in which the Bahrain Government has a substantial stake.

Alba, which is considered the local equivalent of a "gilt-edged" security, is now able to fund part of its working capital requirements from the local banks by issuing one, three and six-month promissory notes. A system of competitive bidding once a month has been introduced. About BD6½m.-worth of Alba promissory notes are outstanding at the moment, and although there is no secondary market in the notes as yet, the BMA is ready to re-discount the lending if necessary. The BMA would also like to see local banks start issuing negotiable certificates of deposit (CDs) denominated in the local currency. Such a scheme is already under way in the UAE, but so far the idea has not caught on in Bahrain. Apart from the absence of a proper secondary market, which is most important if the CDs are to fulfil their function of p[…] viding their holders wi[…] immediate liquidity, there […] also the technical problems su[…] as the lack of qualified […] security printers. However, […] BMA has indicated its willi[…] ness to support a second[…] market and is optimistic tha[…] is only a matter of time bef[…] a CD market gets under way[…]

Just over a year ago the B[…] ruffled a few feathers am[…] the local banking community […] introducing reserve requi[…] ments for the first time. T[…] does not apply to the offsh[…] banking units—only local ba[…] They must lodge 5 per cent. […] their BD deposits and […] cent. of their foreign depo[…] interest free, at the BMA. […] the time, cynics pointed […] that this was simply a ruse […] provide the BMA with ch[…] funds to finance its operati[…] Undoubtedly there is a grai[…] truth in this, but there are […] developed banking systems […] the world to-day that do […] have reserve ratios. From […] precautionary standpoint, it […] sures that each bank in Bahr[…] is keeping a similar propor[…] of its deposit liabilities a[…] liquid reserve and, in additi[…] it provides the BMA with a […] ful tool with which to con[…] the rate of credit expansion.

Credit

In less than two years, […] BMA has achieved a consi[…] able amount (its role in […] establishment of the offs[…] banking enclave is dealt wit[…] greater depth elsewhere in […] Survey). Much of the credit […] these achievements must g[…] the BMA's hardworking d[…] tor general, Alan Moore, […] his deputy, Abdullah Saif. […] Moore started life as a for[…] exchange dealer with Glyn […] in the early 1950s and was […] out to Bahrain by Williams […] Glyn's in the late 1960s to […] negotiate the financing arra[…] ments for Alba, the local […] minium company. He was […] suaded to stay on and ove[…] the BMA during its formi[…] years. Abdullah Saif, who ea[…] in his career had won […] accountancy scholarship […] London and had been wor[…] in the Civil Aviation de[…] ment, joined at roughly […] same time.

Together they control a […] staff of under 40, from […] BMA's temporary headquar[…] a pleasant villa tucked awa[…] the suburb of Manama. A[…] from the administrative an[…] counts sides, the BMA's o[…] isation is split into four p[…] First, there is the foreign […] change and investment de[…] ment, which, as its name […] plies, has responsibility […] dealing and fixing rates. […] rently there are two dealers […] the number is expected to g[…] Second, there is the note iss[…] department, much of w[…] work is currently carried […] under the aegis of Chart[…] Bank. Next, there is the b[…] ing department, which is […] ponsible for clearing the […] counts of the commercial b[…] and also analyses the mon[…] bank returns, which one ba[…] described as "Bank of Eng[…] circa 1968." Finally, there is […] economic research departm[…] where the three economists […] lect statistics and publish […] quarterly bank bulletin.

William H[…]

Centre

CONTINUED FROM PREVIOUS PAGE

have to be convinced that the funds will be used regionally and not just go straight back to London or New York.

Another question mark affecting operations is Saudi policy towards their own rial. Will for instance the Saudi Government insist that contracts be quoted in rials? Or are the Saudis really interested in having an internationally used currency? Then, too, there is the much-talked-of question of a common Gulf currency. Though progress has been made, nothing more can be done without decisions being taken at the political level. But few believe that the governments of Kuwait, the UAE, Qatar and Bahrain are ready to accept the political consequences of a common currency, though in Bahrain's case it would help to stimulate its banking interests.

With the offshore banking scheme in its infancy and Bahrainis still enjoying the international prestige which has been brought to the island, there have been few questions asked as to what the tangible benefits might be. The Government has done little to explain—and for that matter nor have the banks—what offshore banking means and what it will bring to the island's economy. The banks reckon that it costs them up to $1m. to set up operations in Bahrain. On top of this are considerable sums ploughed into the economy via payments for communications, staff and rent. This is the direct benefit. Longer term there are clear benefits from developing skills in banking, plus the related expertise of insurance, accounting, etc. Already the bankers have brought in their wake the first money brokers, a sign of the kind of snowball effect that the offshore scheme's promoters hope to see gain momentum.

On the other hand it would not be difficult for someone to start putting the word about that offshore banking was just another example of multinational corporations greedy for profits taking advantage of tax-free opportunities in a poor developing country—and contrary to its interests. Moreover there are already mutterings that all the advent of the bankers has done for Bahrain is to boost the price of land and rents, so filling the pockets of the speculators.

Success

The ultimate success of the Government's aim to turn Bahrain into a regional finance and banking centre depends upon whether the bulk of Bahrainis can reap or be seen to be reaping the benefits. In the past year the tendency has been for the rich to get richer, retaining the benefits for themselves. Implicit recognition of this state of affairs comes in the government's new emphasis on housing and the proposed legislation for improved labour conditions and terms and proper social insurance. In the future the Government is going to have to steer a careful path between satisfying the aspirations of its citizens and at the same time not frightening off foreign business.

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Profitable progress

FOR MOST of the past year public interest has concentrated on the progress of Bahrain's fledgling offshore banking units, quite neglecting the quietly profitable progress of the island's 18 commercial banks. It took the crash of a pre-fab housing company, which went down owing considerable sums to one of the largest commercial banks, to bring the public eye back sharply to the commercial sector of banking.

What it saw was pretty solid. The balance sheet total of all the banks at the end of August this year was BD634m. (including contra accounts), a 30 per cent. increase on the end-1975 total. Savings at the end of the second quarter 1976 were up over 50 per cent. on the comparable quarter of 1975. And the creation of the OBUs (offshore banking units) had not totally destroyed the commercial banks' foreign business. Foreign assets at the end of 1975 stood at BD160.5m., though in June this year they had dropped to about BD138m.

What it also saw was that lending to the construction sector had overtaken trade lending for the first time since figures were kept. At the end of June last a third of the BD212m. lent had gone to the construction industry; six months previously that sector had only accounted for just over a quarter of all lending. In the past 12 months lending to the construction industry has increased by over 100 per cent. and rents have doubled. Given that Bahrain is an island which has to import virtually everything it needs except oil and aluminium ingot, the upsurge in construction lending is the more spectacular, and yet also the sober side of the physical chaos that characterises parts of Manama, the island's capital, to-day.

In such an atmosphere of construction boom it is hardly surprising that the half Government owned National Bank of Bahrain, sited next to one of the island's largest office and residential developments, should take a fairly optimistic view of lending to housebuilders. The rapid growth of the National Bank of Bahrain over the past three years, to deposits in excess of BD100m. and profits comfortably over BD3m., had made its manager a respected as well as a popular figure in the banking community. The crash of Viking (Bahrain) to the tune of around BD2.5m., much of it lent unsecured by the National Bank of Bahrain, and the subsequent suspension of the manager, temporarily stunned the island's business and banking men.

RETAIL BANKS IN BAHRAIN

Algemene Bank Nederland	Banque de Paris et des Pays Bas	National Bank of Bahrain*
Arab Bank	Chartered Bank*	National Bank of Abu Dhabi
Bank Melli Iran	Chase Manhattan	British Bank of the Middle East*
Bank of Bahrain & Kuwait*	Citibank	Rafidain Bank
Bank Saderat Iran	Grindlays	United Bank
Banque du Caire	Habib Bank	

* The top four banks account for 70 per cent. of all lending and 72 per cent. of private deposits.

Sound

But the Whinney Murray audit of the bank showed it to be sound and capable of riding the loss. "National Bank's 1976 profits will more than cover it," commented one banker, "and the liquidation of Viking could raise between half and three-quarters of a million dinars." Viking had put up over 200 houses in Bahrain and some remain to be sold.

Some bankers have argued that construction lending in Bahrain has been kept well under control because so many of the commercial banks are branches of Western international banks who were already nervous of that sector. The general expectation among bankers is that construction lending will level off in the course of next year, when about 500,000 square feet of new space in Manama alone should come on to the market.

Although some of the construction projects are multi-million dinar affairs, particularly the hotel projects, there is as yet little formal consortium lending in local currency. Also many of the hotel complexes are partially financed outside the island. Money for housing projects—a popular area for the smaller Bahraini construction companies — tends to be borrowed for 3-4 years, with stage repayment from future income. "We have yet to see how that kind of lending goes," observes one long established banker, "it is something that has only recently come in with the scaling up of the construction industry." (Due partly to the soaring costs of construction, much of the early expatriate housing had been financed by the merchant landlords from their own resources.)

However, trade finance is far from dying and the island still has to import a lot in spite of its growing manufacturing sector. Also the local standard of living, and thus patterns of consumption, are on the upward path. Most trade finance is still letter of credit business for imports and simple British style overdrafts for internal trade. The American pattern of time loans is also used, and some banks like to finance the bigger traders on a combination of the two.

The money changers, too, appear to be flourishing in their small shops in the souq, though many of them have now diversified into other areas of business. The traditional business of changing foreign notes for local currency is bound to have been affected to some degree by the fixed parity between Bahrain, Qatar and the UAE for limited sums. The foreign exchange business (travellers cheques are acceptable) is on the simplest level: "No, I won't take Libyan pounds," said one money changer, "I mean, who would want to go there?" Small sum loans are also arranged and some money changers even act as afternoon bankers to the newcomers.

As Bahrain's adult, working population numbers roughly 80,000, the island would seem to have rather a large number of retail banks to service the private sector business. Indeed the top four banks on the island, Chartered Bank, British Bank of the Middle East, the National Bank of Bahrain and the Bank of Bahrain and Kuwait, between them account for the bulk of retail business, over 70 per cent. of all lending and 72 per cent. of all deposits. Excluding the Continental Bank, which is in the wholesale money market although it has a full commercial licence (it got its licence before OBU's were conceived), there are 17 retail banks. For the moment it seems that this will be the final number: certainly it is highly unlikely that any more wholly owned branches of foreign banks will be permitted to set up, but a different view might be taken of a locally incorporated bank (The Continental Bank, which is a joint company between Continental Illinois and private Bahraini interests, is incorporated in the Cayman Islands because it was created before Bahrain's new corporate law came into being).

For the late-comers to the island, such as Algemene Bank Nederland, which only set up in Bahrain in April last year although it has had a significant presence in the area for many years, competition to get business was pretty tough. "But there is still a good living here for anyone prepared to work at it," comments another newcomer, "although inevitably the first business that comes your way is that which has been turned away elsewhere." Fortunately Bahrain is a small society and credit rating can be unofficially established quite fast: "You just send Jassim into the souq for an afternoon," a banker explains, Jassim being the "commercial assistant," a ubiquitous and essential figure in the Arab business world.

The business need not necessarily be with the public alone: the past year has seen the healthy growth of the inter-bank market. This market has, it is generally agreed, been most stimulated by Citibank, ABN, Paribas and the Bank of Bahrain and Kuwait (known as BBK). Trading on the inter-bank market is very active and an overnight call market at around 3 per cent. is developing as well as the three to six months' money at around 5¾-6¼ per cent. As the banking community has grown in numbers it has become easier for the banks to place their temporarily surplus money with fellow bankers rather than court the foreign exchange risks involved in sending it back to head office.

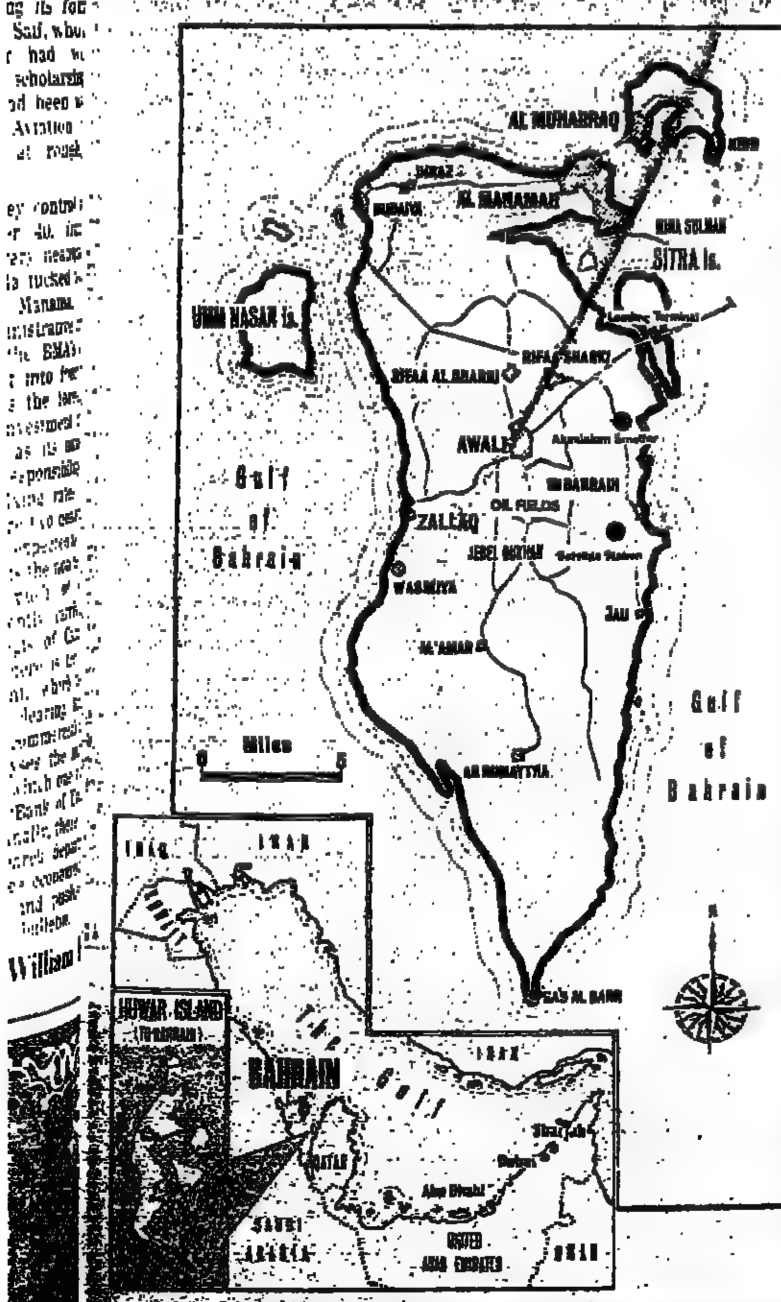
Secondary

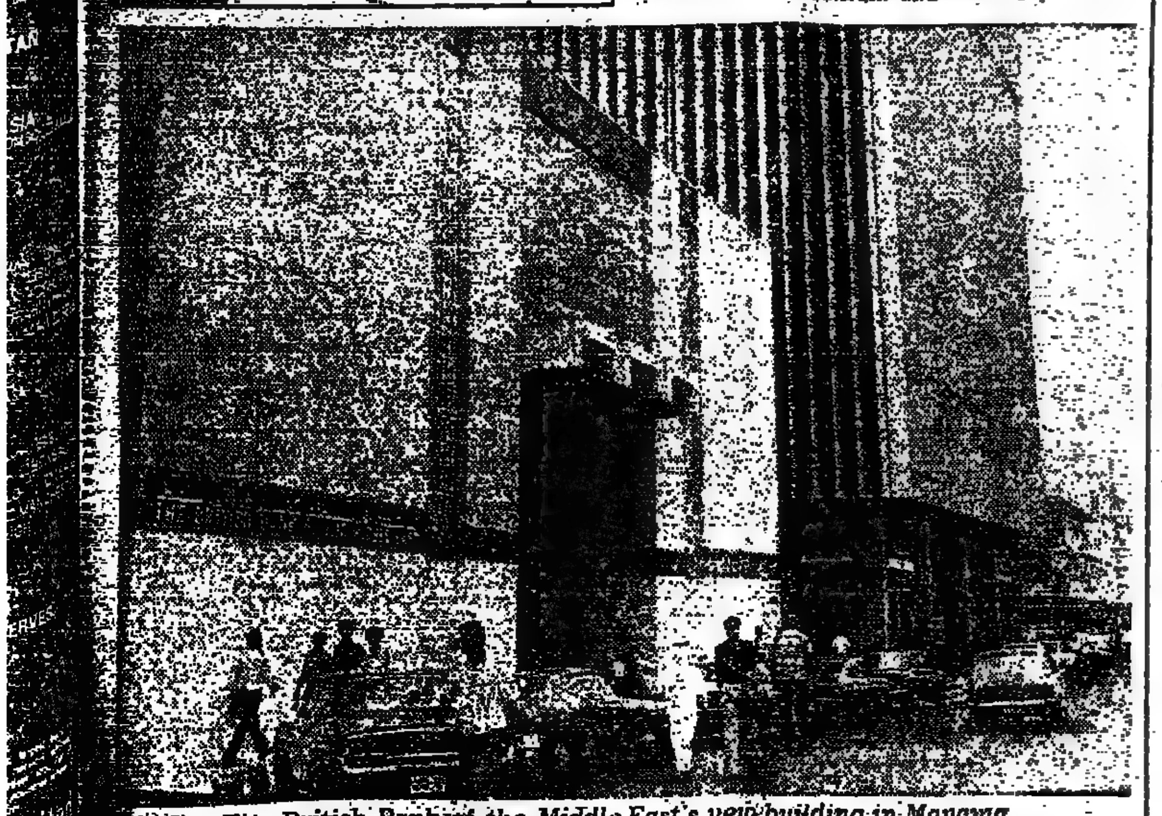
It is hoped that a secondary market may also develop. Certificates of deposit have yet to be created by way of the banks and at the moment they seem to be waiting on each other in this market. But the banking structure of Bahrain is growing more sophisticated and so keeping more money in the island—Bahrain has no foreign exchange controls so private money could easily leave the island for more profitable investment elsewhere if it were so inclined. At the moment the only paper that circulates between the banks is the one and three months promissory notes issued by ALBA (Aluminium Bahrain, the island's second largest industry), but there is really very little trading in them. Although the manufacturing sector of the Bahraini economy is growing—a large pre-fab housing factory has just been added to it and its share of lending has increased from 12 to 16 per cent. of the total in the past two years—it does not yet require financing on the ALBA scale.

The growing size of the Bahraini banking scene has led to the development of the bankers association. It is now just awaiting final approval from the appropriate authorities. Provisionally the formal name of the association is likely to be Bankers' Association of Bahrain (or BAB which is Arabic for gate—which bankers hope will be interpreted as an open attitude). The existence of the Bahrain Monetary Agency as effectively a central bank means that the BAB will not take on the business regulatory functions of earlier associations in the Gulf.

The main function of the proposed BAB will be to act as spokesman for the 32 offshore banks, 18 commercial banks and the 16 representative offices, and as a channel of communication with both the BMA and ministries. It would, its founder members hope, thus be consulted on any future legislation as it is being planned. The two most recent pieces of Bahraini legislation, on labour and on social insurance, have taken a little time to get understood and accepted and more preliminary knowledge would have been helpful. One of the initial areas of interest is the maintenance and encouragement of professional standards through both on-the-job training and liaison with the educational bodies of Bahrain. Additional numbers of Bahrainis with internationally recognised banking qualifications will add to the sophistication and reputation of the Bahrain banking community.

Doina Thomas





The British Bank of the Middle East's new building in Manama.

Ambition fulfilled

IF ONE were to run through a checklist of the most important attributes of a successful financial centre, Bahrain would score pretty high marks.

There is no exchange control, no withholding taxes, no corporate or personal taxation and no reserve ratios on offshore business. It has a first-class communications system, is politically stable, and English is widely spoken. The local banking system does not suffer from bureaucratic interference. Admittedly, it does not have a watertight bank secrecy law like Switzerland, or comprehensive trust legislation like some other offshore centres, but then it has never wished to be tagged as a tax-haven. There are signs of a slight increase in official "red-tape," for example the new social security legislation, but it is still far easier to get work permits for expatriates in Bahrain than it is in places such as the Bahamas.

Advantages

Despite the fact that Bahrain has had these advantages for many years no one would have considered it an offshore financial centre 18 months ago. The Bank of England lists ten offshore centres in its quarterly statistics on the Euromarkets. In rough order of importance these are the Bahamas, the Cayman Isles, Singapore, Hong Kong, the Lebanon, Panama, Liberia, the Netherlands Antilles, and the New Hebrides. There is no mention of Bahrain, but how much longer this will continue to be the case remains to be seen. Bahrain's offshore business already dwarfs that of places such as the New Hebrides, and if its current growth rate continues it will probably overtake Singapore sometime next year. It will take time to catch up with the Bahamas and the Cayman Isles (in terms of asset size), but then their offshore business is almost as large as that of London. No up-and-coming financial centre could hope to match that overnight and anyway Bahrain has no ambitions to be a "brass-plate" centre.

The BMA first made public its plans to license "offshore banking units" in October, 1975. With 16 local banks and a population of only ¼m., Bahrain already had more banks than was necessary. So the authorities decided to allow banks into Bahrain on the understanding that their business must be with non-residents of Bahrain. Though the local market was overbanked, the BMA felt that an offshore centre, servicing the Gulf, was long overdue. Beirut had acted as a quasi-Arab financial centre in the past, but it had never been a major dealing centre. Kuwait had already carved out a niche for itself as a long-term capital market, but the BMA noted that there was no short-term market.

The surpluses of Saudi Arabia, Kuwait, the UAE and Qatar are running at around $40bn. a year, and the bulk of the money which enters the banking system is deposited with the big money centre banks in London and New York. The BMA decided to try to short-circuit the traditional centres and set up a "mini-London" where local depositors could place their funds during their own banking hours. From the start the BMA has worked to make the facilities offered in Bahrain comparable with those in London. It wanted no favours. If Saudi Arabia was to place money with a Bahrain OBU it should do so only because the rates and service equal those on offer in the major money centres.

A key element in the BMA's strategy was to license only the banking elite, and insist on branch status. This had two advantages. First, it meant that the Bahraini branch of Bank of America, for example, should, be able to command, in theory at least, as fine rates as the bank's London branch. Second, it meant that the BMA need not build up a cumbersome regulatory apparatus. The top banks could be relied on to regulate themselves, and in the very unlikely event of something going wrong the Bank of England or the Federal Reserve, for example, would be in a much better position than the BMA to rectify the situation. The BMA wanted no repetition of the fringe banking crises which had upset confidence in other offshore centres.

This, then, was the philosophy behind the establishment of Bahrain's offshore banking enclave. How successful has it been?

Just over 30 banks have been granted OBU licences during the year, of which about 23 will be operational by the year-end. Of the top ten banks in the world, six have been granted offshore licences. The odd men out are Deutsche Bank, Credit Lyonnais, Barclays and Dai-Ichi Kangyo. But only two of the next ten top banks (Banco do Brasil and Manufacturers Hanover) have taken out licences. The top German banks are contenting themselves with representative offices for the time being and only Banca Commerciale Italiana among the big Italian banks has ventured into the offshore market in the Gulf, and it has plumped for a restricted bank licence (RBL) in the United Arab Emirates. The other noticeable absentees are the Japanese. Apparently they have "expressed interest," but they have to await the green light from the Japanese Ministry of Finance. The British banks are well represented, as are the Canadians and Americans.

A temporary halt has been called to the issue of new licences so as to take some of the strain off the local services. But next year Alan Moore, director general of the BMA, expects another ten-twelve licences to be granted, and he is encouraging banks from some of the smaller countries and the developing world to move into Bahrain. There is no real limit on the number of banks which will be allowed in, but Alan Moore does not think there is much point in having many more than 50.

Consortium

Apart from the European and North American banks, a number of Arab banks have opened OBUs, including two consortium banks, UBAF and BAII. Interestingly, BAII is probably the only example of an OBU which is separately capitalised. Ordinarily, the BMA insists that an OBU has branch status (and no capital), but in the case of BAII it feels that it is more of an investment/merchant bank, so has waived the rules. But an OBU which intends to be active in the money markets should have branch status. The BMA argues that many of the locally capitalised banks in the Lebanon, though backed by powerful shareholders, found that the extent of their involvement in the money markets was restricted by their limited capital base. The BMA is keen that similar problems do not hinder the dealing activity of the OBUs. It is toying with the idea of issuing a special licence for foreign merchant banks or perhaps fixing certain limits on the total deposits would-be merchant bank applicants could take on their books.

The total assets of the OBUs at the end of September amounted to $5.0bn., and the BMA expects the figure to exceed $10bn. by the end of the year; though this is still small beer when set against a Eurocurrency market total of around $150bn. and an Asian dollar market of $15bn. Within the total of $4.5bn., Citibank's loan portfolio of close to $2bn. is a major factor, but its relative importance should decline as the other OBUs build up their Bahrain loan books.

The BMA has only just started collecting data on the market, so too much should not be read into the first set of figures for June. As would be expected the bulk of the deposits (83 per cent.) is made up of inter-bank funds and 77 per cent. in dollars. However, the fact that 17 per cent. are in Gulf currencies is a healthy sign.

The deposits of the non-banks only amount to $400m., and this is the figure bankers will be watching with great interest in future. At the moment about 50 per cent. of that figure is accounted for by Government funds (the actual figures are not given). Once official bodies, such as the Saudi Arabian Monetary Agency (SAMA), start placing funds in Bahrain this figure should grow rapidly. As far as the maturity of the deposits go 56 per cent. are for under a month and only 1.5 per cent. are for over a year. On the asset side the maturity breakdown is slightly longer.

Arab countries are the main source of funds for the market, which is a good sign for the OBUs. At the moment the majority of the funds are from the private sector, but as the market becomes accepted Alan Moore believes that institutions such as SAMA will eventually start using Bahrain. It is just a matter of time. The OBUs have to convince the depositors that they can offer as good a service as their head office. Alan Moore admits that "one cannot work miracles overnight." The institutions concerned are conservatively run and it takes time to change their habits.

However, he is optimistic that depositors' habits are changing and Bahrain is becoming more widely accepted. His enthusiasm is born out by Citibank, which has the longest operating experience in the Bahrain offshore market. It is funding its entire Middle East portfolio out of Bahrain. When it first started doing this it had difficulty raising more than $15-20m a day from the local market, but now it is able to do up to $120m. a day. At the end of last year it was only able to fund 25 per cent. of its $1.8bn. Bahrain portfolio locally, and had to go to London and Nassau for the rest. Now, however, its local funding is up to 40 per cent., and it relies on Nassau and London for roughly 20 per cent. each and other centres, such as Singapore, for the remainder. It is confident that the proportion of local funding will increase.

Citibank admits that it is not able to raise funds quite as cheaply in Bahrain as in London (a point mentioned by another major money centre bank). When Citibank started running its Bahrain book it was paying 1/8th more for funds. This is now down to 1/16th. In practice what this means is that, whereas in London Citibank can get funds at the bid price in Bahrain, Citibank's OBU has to pay midway between the bid and offered price. Citibank is prepared to pay a little more since it feels that it is in the interests of the market to do at present.

Although it is much too early to assess realistically the success of the BMA's offshore banking experiment, the foregoing analysis underlines the very real progress which has been made in a comparatively short period. Considerable work remains to be done. Apart from the inter-bank market there is a shortage of short-term investment opportunities such as CDs, and consequently the OBUs are having to channel some of their surplus funds back to the traditional centres.

As to the future the increasing amount of social legislation and red tape in Bahrain is slightly worrying the OBU community, and partly explains why the Bankers Association of Bahrain is being formed. It will act as a spokesman for the banking community and help them get their voice heard in Government circles. Outside of Bahrain the UAE appears to be going ahead with a rival offshore scheme, licensing a number of RBLs. It is too early yet to assess the impact of these units on the Gulf offshore market. Some bankers argue that the appearance of a competing centre will keep Bahrain on its toes, but others are worried that it will split the market and slow down the emergence of a major Gulf capital market. There is the possibility that a two tier market may emerge with the top banks ensconced in Bahrain and the others operating out of the Emirates. What impact this will have on the effectiveness of the Gulf's offshore banking structure remains to be seen.

Unless the amount of bureaucratic interference increases dramatically, or the Governmen[t] imposes taxes on the OBU (which seems most unlikely) Bahrain should be able to withstand the competition from th[e] Emirates. If one needs reassu[r]ance one only need look at th[e] size and quality of the bank[s] which have committed themselves to operating an OB[U] ample testimony to the inte[r]national banking community confidence in Bahrain.

W.E

OFFSHORE BANKING REGULATIONS

1. Offshore Banking Units (OBUs) established in Bahrain must be full branches of the parent bank or must satisfy the Bahrain Monetary Agency (BMA) of the commitment of the parent bank to its office.
2. OBUs must be fully staffed, operational branches whose staff are actively engaged in the business which is written in the books of the branch. Permission will not be given for brass plate operations in which the business is written elsewhere and booked into Bahrain solely as an accounting device.
3. OBUs will not be allowed to deal in any way with residents of Bahrain except for the Government, its Agencies, the fully-licensed banks and, as an exception, to participate in the financing of development projects approved by the BMA.
4. OBUs will not be allowed to offer checking account services but will otherwise be free to offer all banking services to non-residents of Bahrain of all classes, Governments, banks and non-banks.
5. OBUs will not be required to maintain any reserves with the BMA or observe any formal liquidity ratios.
6. OBUs will be required to supply regular monthly statistical information including a balance sheet to the BMA and to satisfy the BMA if called upon to do so of their ability to meet their obligations as they fall due.
7. OBUs will be required to submit to the BMA a balance sheet and profit and loss account of their OBU operation audited by auditors approved by the BMA within 90 days of the year end and in due course file a copy of their Group's published accounts.
8. An annual licence fee of $25,000 is payable to the BMA for an OBU licence; no taxation on OBU profits is at present planned or proposed by the Government of Bahrain.
9. Existing fully-licensed banks may apply for an OBU licence for their non-resident business. The BMA will wish to be satisfied that adequate arrangements are made for separate accounting records.

The quest for profit

TWO QUESTIONS are uppermost in the minds of the managers of Bahrain's offshore banks, currently. First, can they make a profit? And, second, is there enough business to go round?

Some 32 banks have been granted licences so far, and there is the prospect of another dozen new entrants next year. In addition, the costs of establishing an offshore branch have been rising dramatically. Skilled clerical staff are in short supply, as is prime office space, temporarily. One local banker estimated that his staff costs had risen by over 60 per cent. in under a year, mainly because foreign banks were bidding up salaries in an effort to poach staff.

Most bankers reckon that it costs around $750,000 to set up an OBU and another $650,000 per annum to run it. The average staff of an OBU runs to about 12, normally made up of a manager and his assistant, one or two dealers, a loan marketing officer, an operations manager and local clerical staff. The costs of attracting good quality expatriate staff to Bahrain are high. A good forex dealer, for example, can command around $40,000, plus housing costs.

Confident

Despite the costs and the competition, most of the managers of the OBUs appear confident that they will be in the black within a year. Even if they are not, the investment in a Bahrain OBU for most of the banks is fairly insignificant when viewed against their total global investment.

However, some bankers who have been reconnoitering the local scene before applying for a licence are slightly more sceptical about Bahrain's profit potential; especially if a bank comes into the Gulf without good local connections. They argue that it could take longer to drum up profitable business than some of the banks are forecasting.

Of course, for some of the banks (especially the Americans) it is worth being in Bahrain just for the tax advantages. Rising taxation in established centres such as London is forcing banks to book an increasing amount of business in offshore centres such as the Bahamas, and though the BMA is not at all keen to see Bahrain develop into a book-keeping centre, the tax advantages are a major reason some of the banks are there, though few would openly admit it. If local taxes were imposed, many banks would pack up their bags and leave.

The question of profitability is slightly academic. For the local banks there is an obvious incentive to set up an OBU since it frees them from local reserve requirements (although local Bahraini business cannot be transacted from an OBU). Meanwhile, the newcomers can easily make a profit in Bahrain by simply transferring part of the income-earning Middle E[ast] portfolio on to the books of [the] Bahrain OBU. With the notab[le] exception of Citibank, most [of] the OBUs do not seem to [be] doing this at the momen[t]. Generally, the rule seems to [be] that all new loans in the Gu[lf] region are being booked [in] Bahrain. Bahrain's asset grow[th] may be less spectacular as [a] result, but the figures will [be] more meaningful.

If a bank can build up a lo[cal] loan portfolio of $100m. whi[ch] is earning a 1 per cent. spre[ad] it should be able to cover [its] running costs easily. But [the] big question is — can 33 OB[Us] build up local loan portfol[ios] of $8bn. plus ($5bn. if you [ex]clude Citibank), in a ye[ar]. While most bankers see [the] lending function as an imp[or]tant part of their job they [are] uncomfortably aware of two fu[n]damental problems in th[is] respect. First, the Gulf is [a] funds rich area, unlike Sin

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Too early for predictions

MOST BANKERS accept that Bahrain has a rôle to play as a short-term money trading centre, but are less confident about its possibilities as an investment banking centre.

Their reservations are partly to do with timing. According to Gerald Tedder, who heads Banque Arabe et Internationale d'Investissement (BAII) in Bahrain, "now is not the best time to start doing investment banking in the Middle East since the West is so liquid." The European issuing houses which flocked to the Middle East in 1974-75 to sell their bonds and bring in Arab firms as co-managers, have disappeared almost as quickly as they appeared now that Europe is once again flush with money and there is no shortage of investors.

Whereas in 1975 Arab financial institutions managed or co-managed a third of all international bond issues, they have recently been slipping down the co-managership league tables. According to an article in the September issue of the Institutional Investor, the market share of Arab investment houses in the first six months of 1976 had slipped to 11.5 per cent., and if BAII's participation in the EEC's $500m. private placement last spring is left out, the Arab's market share drops to 7.5 per cent.

Squeeze

Whether the Arab investment houses will regain last year's leadership is a moot point. Some bankers feel that as soon as the West runs into its next liquidity squeeze, European bond salesmen will be back once again doing the rounds of the Middle East investors. Only this time their reception will not be quite as friendly. Some of the Middle East institutional managers undoubtedly feel that they were unfairly exploited in 1975 and then dropped when they were no longer needed.

These sentiments, however, have only a marginal relevance to Bahrain's aspirations as an investment banking centre. More important is the fact that there are other local centres vying for the title of investment banking centre of the Gulf. Kuwait is widely acknowledged as the major source of long-term money in the Gulf at the moment and various funds and institutions have been created to channel Kuwaiti funds into the international markets so Bahrain is unlikely to be much help there. The Emirates is another source of long-term money, and has already attracted a number of merchant banks such as Oryx Investments (in which Arbuthnot Latham has a stake) and Wardley (the Hong Kong and Shanghai Bank's merchant banking affiliate). By contrast Bahrain has no real indigenous long-term money and few local investment possibilities. So if it has a rationale, it must be viewed as an investment banking base for the Gulf as a whole.

A number of the OBU's which have been established in Bahrain have a merchant banking bias. BAII is probably the best known. A Paris-based consortium bank with a long list of Arab and Western shareholders (including BNP, Dresdner, and UBS) it has specialised in investment banking from the beginning. It set up the separately capitalised Bahrain subsidiary in the spring of this year with the intention of getting closer to the local market. With much the same sort of spirit in mind CIBL (Citibank's merchant banking arm) has also established a local representative office in Bahrain. Investment bankers are still exploring the market's possibilities. The sort of questions they have in mind cover such matters as, is Bahrain the best base from which to extend your Middle East placing power? What sort of opportunities are there for loan syndication, venture capital and fund management?

The answers will take some time to emerge. On the subject of placing power, bankers attach little importance to Bahrain itself. There are no wealthy local institutions which can be cultivated into active buyers of bonds. The BMA buys a few, but that is about all. In time the OBU's may build up their own bond portfolios but it is very early days yet. Consequently they are looking outside Bahrain for business.

The Saudi Arabian Monetary Authority is naturally the investment bankers prime target, but it seems that they are most unlikely to need the investment banking services of Bahrain. SAMA can quite easily digest whole private placements on its own. Indeed it is not unknown for a triple A borrower to go direct to SAMA for funds without the aid of an investment bank. The other natural target is Kuwait, but whether this can be serviced better out of Bahrain, than London or Paris, remains to be seen. One banker noted that there was not too much investment demand for bonds in the Gulf at the moment, unless the borrower was an Arab company.

Secondary

One or two OBUs, such as Kredietbank, are starting to make a local secondary market in bonds, but the absence of "market-makers" is a problem. Generally, while the banks admit that the short-term prospects for placing sizeable amounts of bonds in the Gulf, and trading in the secondary markets are not particularly exciting, the hope is that by being on the spot and developing one's relationships and placing power locally (which cannot be done overnight) a bank will be more favourably looked upon by the Arab institutions the next time the European bond salesmen run out of investors.

In addition, the decision to base the Gulf International Bank in Bahrain could give a powerful boost to Bahrain's potential as an investment banking centre. The bank is owned equally by the Governments of Saudi Arabia, Kuwait, Iraq, Oman, the United Arab Emirates, Qatar and Bahrain, and has an authorised capital of BD40m. of which BD8m. has been issued. The bank is not yet operating but its charter is sufficiently flexible to allow it to do the whole range of investment and commercial banking business (Citibank is acting as informal advisor). It plans to establish a presence in London as soon as possible and is likely to be viewed as a catalyst for the joint financial aspirations of the governments involved. Whether it will manage part of their oil revenues remains to be seen and just how the bank will evolve is not yet clear. But provided the governments involved can agree on the direction the bank should take and the amount of business they are prepared to channel through it, then the Gulf International Bank could enhance Bahrain's international status, greatly.

There is a danger that too much is being expected of Bahrain in such a short space of time. An investment banking centre does not spring up overnight. Placing power takes time to develop and it is unlikely, for example, that Bahrain will ever become an important centre for managing private funds. The Swiss banks provide an excellent service and there can be no substitute for the anonymity, and safety, of a Swiss bank account. Such advantages cannot be emulated overnight.

It is much too early to predict how Bahrain will develop. But at the moment it would be safer to categorise it as a financial service centre rather than a fully fledged financial centre. Its attributes as a money and foreign exchange trading centre make it an attractive place for short-term depositors and, if more specialised financial institutions such as merchant banks and discount houses move into the market, it will start to develop into a capital market in its own right.

W.H.

Profit

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pore, and second, among the potential borrowers there is a shortage of first class names. So what is going to be their bread and butter business?

Some of the banks appear to be adopting a "scatter-gun" approach, offering everything from full foreign exchange and money market services to leasing, loan syndication, fund management, and underwriting of bonds and public debt. All of which seems pretty ambitious when one remembers that an OBU only averages 10-12 staff.

Each bank seems to be interpreting its role slightly differently, which is in line with the BMA's wish to attract as broad a cross-section of the banking community as possible. The Scandinavian Bank, for example, is a London consortium bank owned by some of Scandinavia's leading banks. One of its contributions is to make a local market in Scandinavian currencies. Then there are a number of banks, such as Kredietbank and BAII, where the accent is more on merchant banking activity.

Broadly, however, the business of the OBUs falls into three major categories. First, there is the foreign exchange dealing activity, broken down into local and Middle East currencies. Some banks, such as the big European banks, have traditionally been much more involved in this area than the North American banks and, as a result, they can be expected to place more emphasis on this side of their business in Bahrain. The island's advantages as a foreign currency dealing centre have been well rehearsed elsewhere in this survey. However, most bankers admit that Dubai has far more commercial foreign exchange turnover than Bahrain. Foreign exchange profits are a function of spreads and dealing volume. The former have narrowed considerably with the growth in activity, and as yet Bahrain's turnover is very low by comparison with the major European centres. Nevertheless a number of banks are concentrating on developing this side of their business and feel it will make a useful profit contribution.

Deposits

Secondly, there are those banks that see Bahrain as an ideal base from which to solicit deposits. Whether this is in fact the case remains to be seen. If a major Arab institution is not depositing funds with the head office in London, it is questionable whether it will start placing funds with the Bahrain OBU. A number of banks view their Bahrain OBU as a useful addition to their range of funding vehicles. If the XYZ bank, for example, has to go into the London market for $50m., it might find itself paying above the odds for the last $10m.

In these circumstances the bank might decide to raise $30m. in London and ask its OBU to raise the rest in the Gulf. This will be effective only so long as a premium market does not appear in Bahrain. As far as Eurodollar trading goes, a number of U.S. banks mentioned that Bahrain OBUs sometimes found themselves competing for funds in the London market with their London branches. Until Bahrain attracts sufficient local funds this problem is likely to continue.

The third aspect of the bank's business is lending, and a number of banks have brought in loan officers.

Limited

As mentioned earlier, the potential in this direction appears to be somewhat limited at the moment. One U.S. bank listed its lending priorities in order of importance, as follows: Government loans; project loans; corporate loans; and loans to individuals.

One area where there is plenty of potential is in the field of performance bonds. With the huge increase in the wealth of the Gulf region in the past few years many ambitious infrastructure projects are being built. Contractors are frequently required by the host country to post bid, performance and advance payment guarantees for the venture. The guarantees are a form of insurance for the host country in case the contractor cannot finish the project. Traditionally, Middle East countries have required that such guarantees be issued in the form of bank standby letters of credit. The countries have usually not accepted surety bonds in lieu of such bank guarantees. Typically the bank letters of credit vary in amount from 2 to 20 per cent. of gross contract value. With some of the contracts running into the millions of dollars, the amounts involved are sizeable and can run for as long as five years. In the old days a charge of ½ per cent. was often made but nowadays, because of the risks involved, the banks are tending to charge a margin over the going three-month Eurodollar rate and syndicate parts of the guarantee to a number of banks in the market.

W.H.

Small but expanding sector

THE Bahrain Monetary Agency realised from the start that if its plans to turn Bahrain into an offshore "dealing" centre, as opposed to a "brass plate" centre, were to be a success, it had to attract the money and foreign exchange brokers, even if the idea of "broking" was slightly alien to local customs.

A healthy and active money broking community is a key element in any successful financial centre. The brokers do the leg work, matching buyers and sellers. It is far simpler and quicker for a bank to ring up a broker rather than phone round the 30 odd banks in Bahrain and 150 banks in the Gulf, for the best rate for D-marks/riyals.

While it was in Bahrain's interest to attract the money brokers, the latter had already been quick to spot its business potential. Nowadays, money trading is looked upon as a 24-hour a day, seven day a week affair, and for the brokers Bahrain had two natural advantages. In terms of time zones it was located midway between London and Singapore. If it is 6.00 a.m. in London, it is 9.00 a.m. in Bahrain, 1.30 p.m. in Singapore, 2.00 p.m. in Hong Kong and 3.00 p.m. in Tokyo; in New York it is 1.00 a.m. and in San Francisco it is 10.00 p.m. the night before. In addition, banks in the Gulf are open on Saturday and Sunday when the major money centres, such as New York and London, are shut. Initially this might not be too important, as local dealing volume falls off noticeably over the week-end, because banks still look to London and New York for the rates. But in time it could become significant as the use of Middle East currencies in international trade grows.

Even before the offshore banking experiment had been hatched, London's brokers had been trading actively with banks in the Gulf, which often necessitated starting work at 4.00 a.m. to catch the local trade. As the business grew and the phone and telex charges between London and the Gulf mounted, they began to look around for a suitable Middle East base from which they could broke the Gulf. Though many bankers argue that Dubai, with its sizeable entrepot trade and ability to generate substantial amounts of commercial foreign exchange business, is a natural centre, the decision by many of the top banks in the world to set up offshore banking units in Bahrain which will deal actively in dollar and local currency deposits as well as foreign exchange makes Bahrain a more attractive place for money brokers, overall.

Skills

Three money broking firms are now operating in Bahrain, and for the time being this is all the BMA will allow. The first in the field was M. W. Marshall, a London firm, which opened in April 1976. It is best known for its foreign exchange skills and has been joined by R. P. Martin, whose speciality is deposit broking, and Sarabex, which has carved out a niche for itself in the Middle East currency market. In practice, however, all three deal in local and international currencies and local and international deposits, and there is little to choose between them.

Each of the firms has a low capitalisation (Marshall's capital is BD10,000, for example) and a majority local shareholder. In R. P. Martin's case the local shareholder is the Yateem family, one of the largest Bahraini traders. The chairman of Sarabex (Bahrain) and major shareholder is Mohamed Al-Khalifa, who is related to Bahrain's ruling family—both the Amir and the Prime Minister are Al-Khalifas. Another Al-Khalifa, Sheikh Ibrahim bin Hamud bin Adbulla Al-Khalifa, owns 51 per cent. of Gulf Financial Services, which in turn controls Marshalls (Bahrain).

In terms of numbers of dealers, Sarabex is probably the largest of the money brokers. It employs eight dealers and occupies an impressive suite of offices in the National Bank of Bahrain Building in Government Road. Ranged along the wall of its dealing room are 12 clocks telling the time in such diverse places as Moscow, San Francisco and Abu Dhabi, and underneath the clocks a host of telex machines and large boards carrying the telex numbers of all the major banks in Saudi Arabia, Kuwait, the UAE and Iran.

Sarabex is a relative newcomer to the international banking community, and because it is not a member of the London brokers' club, the Foreign Exchange and Currency Deposit Brokers' Association, is considered a bit of an upstart by the more established members of the broking fraternity. The company, which is owned by a consortium of Arab investors and claims to have group capital and reserves in excess of $3.5m., was the brainchild of Romzi Halabi, who started out as a foreign exchange dealer in London. While working for First National Bank of Boston he noticed the growing interest in Middle East currencies and started to deal in them in London. In 1974 he left to set up Sarabex, and the group now has offices in London, Zurich, Frankfurt, and Beirut. From Bahrain, Sarabex services the banks throughout the Gulf and Iran.

Local

The other two brokers offer much the same service and all of them have direct lines into the active banks. At Marshalls, Christopher White-Thomson and his team of five dealers start trading at 6.30 a.m. with Singapore and Hong Kong, where they get the going rates on Eurodollar deposits and international currencies. They then relay these to about 60 of their clients around the Gulf. Initially, early dealings tend to be in Eurodollars and business in the major international currencies does not get under way properly until the European centres open later in the morning. Christopher White-Thomson's objective is "to make dealing in Bahrain as easy as in London, New York and Singapore."

R. P. Martin's Bahrain operation is slightly smaller than the other two. It has three dealers including the manager, Simon Wright. Unlike the other two, Martin's Bahrain office covers primarily the local market and parts of Saudi Arabia. Business in the Emirates is handled by its affiliate, Emirates Brokers. Martin's manages the company and has a 20 per cent. stake in it, as do London stockbrokers, James Capel, with the majority of the shares owned by local interests. Martin's Bahrain office maintains an open telephone link with the Emirates Brokers' office in Abu Dhabi, as well as open lines with its London and Hong Kong offices.

Competition between the broking community for the banks' business is keen. The hours are long and dealers often have to work a seven day week. If a broker is dealing in Eurodollars he could possibly get by with opening five days a week, including Friday, the local holiday, but if he is active in the local currency market it is imperative to be open Saturday and Sunday. Apart from the three brokers in Bahrain, another London broker, Tullett and Riley, should soon be opening in Abu Dhabi and others are likely to follow. In addition the more active local banks are called up to four times a day by London-based brokers such as P. Murray-Jones, Guy Butler and Charles Fulton.

Estimates of the turnover in Bahrain's money and foreign exchange markets are hard to come by and should be treated with considerable caution. For what they are worth local bankers are talking of a turnover in foreign exchange of around $1-$2bn. a week and in deposits of $500m. But according to Ramzi Halabi, of Sarabex, the total volume of business done daily in Bahrain is probably less than that done by a big bank such as Barclays.

Despite the market's smallness it is growing fast, and none of the brokers regret their decision to open. They view their investment in the area as a long-term rather than short-term commitment, and have their eyes fixed on the time when a common Gulf currency finally emerges, which would greatly enhance the international stature of the Gulf capital market.

Though none of the brokers has been operating in Bahrain for much more than six months, their presence has helped improve the market in Gulf currencies immeasurably. Local bankers estimate that dealing spreads on Kuwaiti dinars have come down from 1-1½ per cent. to ¼ per cent. over the past year and in Saudi Riyals from 2-3 per cent. to ½-¾ per cent. Spreads on spot Kuwaiti dinars are now reported to be as fine as those on European currencies.

Nevertheless, the market is not without its problems. One hears tales of Kuwaiti banks, angry at the disappearance of formerly lucrative spreads on their dinar business, ganging up on the foreign banks and starving them of dinars. In addition, a recurring comment among the broking community is the problem of the relatively small dealing limits allocated to the infant OBU's, which is hindering the market's development. If banks want to deal in really large sums they continue to go to London or New York.

Even on the social level—an important part of any money broker's business day—life in the Gulf has its drawbacks. Whereas in London the brokers tend to entertain bank dealers lavishly, the same formula for business development in the Gulf does not always work with the growing number of Arab dealers, many of whom do not drink. As one broker wryly commented: "It is often a case of fish and rice in the souk rather than gin and tonic in the Hilton."

W.H.

FOREIGN EXCHANGE MARKET

Marked potential

SOME BANKERS claim that Bahrain may one day become the world's largest foreign exchange market. While such claims at this early stage can be no more than idle speculation, there is no denying that because of its advantageous time zone and location on the door-step of half-a-dozen of the wealthiest countries in the world Bahrain does possess considerable potential as a foreign exchange centre, and the BMA is clearly intent on developing this side of its business.

In order to get an OBU licence, a foreign bank must prove to the BMA that its staff will be "actively engaged" in the business which is written on the books of the Bahrain operation. In practice this means that, among other things, an OBU should have a professional dealer on its staff, who knows his way around the money and foreign exchange markets.

Altogether there are probably upwards of 40 dealers on the payrolls of Bahrain's OBUs at the moment, and they, along with the brokers, form the basis of the fledgling local foreign currency and deposit markets. By their nature dealers like dealing; they enjoy "making a price," so even if there is not much "natural" foreign exchange business around initially, the dealers are already creating their own market by dealing among themselves. To an outsider this might seem rather pointless, but dealing for the sake of dealing gives the market a momentum, and should help establish Bahrain as a true dealing centre as opposed to a mere financial conduit through which Middle East money flows into London and New York.

On the foreign exchange side the bulk of the business done is still in conventional currencies. On the deposit side, Eurodollar trading predominates, with most of the big banks able to move up to $100m. without too much trouble. However, the big attraction for many of the banks is Bahrain's rapidly developing trade in Middle East currencies.

Mention Saudi Riyals to a London clearing banker 18 months ago and the chances are that his eyes would glaze over. But he will have become much more familiar with them during the past year as the number of international banks trading actively in Middle East currencies has grown. Algemene Bank Nederland and Citibank have been active longest in the field, but they have now been joined by other banks who view their OPU as an ideal vehicle for breaking into the market. Indeed, some OBUs, like that of Chase Manhattan, are concentrating almost entirely on Middle East currencies at the moment. The lucrative spreads initially earned on this type of business undoubtedly lured some banks into the game, but a much more important factor now is the growing number of large local contracts — often worth well over $100m. apiece —being denominated in local currencies. As a result the banks are having to convert a growing amount of local currency payments into dollars, Deutschemarks and sterling.

According to Alan Moore of the BMA much of the credit for the "unbelievable improvement" in the local currency marke recently must go to the foreig banking community, which ha helped build up the tradin activity. Although rates on loca currencies are not yet as fine a those found on the dollar an European currencies, they ar a vast improvement on tw years ago.

Opinions

The depth and sophisticatio of the markets in local Gul currencies varies considerabl as do the opinions of loc bankers on what they can an cannot do in local currencie The following opinions are su jective, but they are intende to give some idea of the typ of deals bankers in Bahra are talking about.

The market in Bahraini dina is small and offshore bank which cannot deal with loc residents deal infrequently this currency, as yet; tra actions tend to be in the BD 0 0.5m. range and maturiti extend up to six months. De ing in Saudi Riyals overshad those in the other Gulf c rencies. Trade in spot riy tends to be in the SR 5-1 range, and on deposits avera SR 10-20m. Terms of up to s months are common, with occ sional dealings as long as th years. The forward market not very large but a few ban are working to develop it.

There is considerable activ in the spot Kuwaiti Di market for amounts up to 0.5m., and in the deposit mark transactions tend to be in KD 2-3m. range and up to s months. The local Kuwa banks' attitude to a forw market in KDs was describ by one senior banker "entirely negative and un spired" and it has been up the foreign banks to try build up a forward market KDs as well as in the ot local currencies. In U Dirhams, spot transactions normally in the D2-5m. ran and there is limited forw activity. Most of the depo business tends to be for sh maturities and for amounts high as D30m.

A foreign exchange money market does not sudde emerge overnight in a place l Bahrain. It takes time develop and it would be wr to gloss over Bahrain's teeth troubles. First, there is question of location. Fore exchange markets tend develop best in countries wh

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Presence borne of necessity

THERE ARE around a dozen foreign bank representative offices in Bahrain. But whereas the managers of the offshore banking units exude enthusiasm about Bahrain's possibilities, their colleagues, across the corridor in the representative offices, are less sanguine.

Many of them had been in Beirut before and most privately admit that, while Bahrain has plenty of potential as a money trading centre, it will be a long time before it can match Beirut's advantages as a Middle East listening post. The Lebanon was always a good source of information. It had a daily English language newspaper, two in French and a host of Arabic newspapers. Until the civil war disrupted life, it was a pleasant place to live and entertain, and had easy access to most Arab centres. As a result, while Beirut may never have been a major banking centre for the Arab world, it was an excellent meeting place and an especially good base for a representative who tends to be the "eyes and ears" of a bank.

However, even before the outbreak of hostilities in the Lebanon some banks had committed themselves to putting an additional Middle East representative into the Gulf in recognition of the area's growing importance both as a user and lender of funds. Since Kuwait and Saudi Arabia do not encourage foreign banks, it was a toss-up between Bahrain and the United Arab Emirates.

Advantages

Bahrain's advantages are well rehearsed elsewhere in this Survey. Located halfway down the Gulf, it has good air connections with European and the Arab capitals, and, compared with Iran or Saudi Arabia, its phone and telex facilities are far superior. As one banker put it "Bahrain is the best of a bad bunch." It provides a good base from which to service the Gulf and, as more banks open offshore banking units, it will undoubtedly become a more important listening post for bank representatives.

Nevertheless the logic behind siting a representative office in Bahrain is not quite as obvious as it is for an OBU. Since most of the bank representatives spend over 50 per cent of their time travelling outside Bahrain, other factors play an important part. On a rough estimate it costs £150,000 per annum to run a representative office (two expatriates and three local staff), and costs have been escalating rapidly over the past year as the influx of banks has inflated office rents and staff costs. One local banker estimated that his salary bill had gone up 60 per cent in a year.

Similarly, housing costs have shot up, with a bank representative having to pay around £18,000 per annum to rent a three-four bedroomed villa. In addition to these problems the local representative community has been upset by the Bahrain Monetary Agency's decision to charge them a $5,000 yearly fee. It is the principal of the matter rather than the actual sum involved which worries the banks. They argue that this is the first time any financial centre has imposed such a fee and it is an unfortunate precedent. The BMA's answer is that the prime purpose of the fee was to slow down the number of banks opening offices, which is aggravating the shortage of prime office space and putting further pressure on local services.

Consequently, while Bahrain is proving a useful base for servicing the Gulf, it is unlikely to attract anywhere near as many banks as did Beirut where, in its hey-day, there were upwards of 70 representative offices. Hardly any of them are operating now, but some may well be reactivated when peace eventually returns to the Lebanon.

Running through the names of the major international banks who maintained Beirut representative offices there are many familiar names missing in Bahrain, such as Deutsche Bank, Morgan Guaranty, Crédit Lyonnais, Bank of Tokyo and Dai Ichi Kangyo. Some have made alternative arrangements (Cairo is a popular spot), while others are waiting to see how the network of Mid East centres develop before putting down new roots.

Of the representative offices in Bahrain, over half are from Europe. Two of the top three German and Swiss Banks have offices, while Barclays and Kleinwort Benson make up the British contingent. Interestingly, two Australian banks, Commercial Bank of Australia and the Bank of New South Wales, have recently opened offices, reflecting the increasing volume of trade between the Gulf and Australia. The most notable absentees are the Japanese and Italian banks.

While all of the representatives in Bahrain spend part of their time maintaining contact with their local correspondents, each bank sees its role slightly differently. The Swiss banks, for instance, have traditionally had important connections with this area. The Union Bank of Switzerland's Bahrain office, for example, doubles up as the local Swiss consular office. Wealthy Arab investors have always valued the anonymity of a Swiss bank account. Many of them have their portfolios managed by Swiss banks in Zurich and Geneva and frequently buy bonds from Swiss banks and invest in Swiss-based investment funds. Bahrain may be growing fast as a regional financial centre, but when it comes to fund management and advice no Arab centre will be able to match the range of financial services on offer in Switzerland, or the U.K. for that matter, for a long time to come.

Gold

Another aspect of the Swiss bank's business in the Gulf is the gold trade. UBS, Swiss Bank Corporation and Credit Suisse make up the Zurich gold pool, through which the bulk of South Africa's production is sold. As a result, the Swiss banks have traditionally kept in close contact with the local gold trade in Dubai, much of which used to go to India. Partly because of the high gold price over the last two years and partly because of the clamp-down on smuggling into India, the local gold trade has died down recently, but when it revives the Swiss banks are keen to ensure that they will be participating fully.

Kleinwort Benson's local representative, Tom Troubridge, wearing his Sharps Pixley hat, also keeps an eye on the local gold market. But this is just one of his many responsibilities. He sees his office as a natural extension of the London head office, and his job as selling all of Kleinwort's wide range of services. If necessary, he can call in members of the bank's Middle East staff based in London or ask for specialist financial support from the bank's corporate advisory team. Trade finance is an important part of Kleinwort's business in the Gulf, and it has also been prominent in arranging ECGD finance for pipelines in Algeria and Iran So far Kleinwort's is the only British accepting house to have set up in Bahrain, though Anthony Gibbs does run a specialist pension service locally. The other U.K. accepting houses such as Schroders and Morgan Grenfell, are active in the Gulf but have tended to set up joint ventures. The only other British bank with a local representative office is Barclays Bank International, and it is deliberately keeping a low profile because of its problems with the Arab Boycott office.

It is often hard to define the role of a bank representative, especially in the Middle East. Arab clients tend to put more emphasis on regular visits from their bankers than do European businessmen, and this occupies a large part of a representative's time. One banker in Bahrain likened his job to that of a beater at a Scottish grouse shoot who set off the birds for the others to shoot. At the end of the day it is impossible to say how many brace he is responsible for. So it is with the work of a local bank representative, be it in Bahrain or Beirut. What is clear, however, is that the life of a Middle East representative is far tougher than that of his counterpart in London or New York who can meet most of his clients by either walking a few hundred yards or by entertaining them in a pleasant restaurant. As a frequent traveller, the shortage of hotel accommodation is an occupational hazard for the foreign banker in the Middle East, as is the random nature of some of the airline schedules, which helps explain why most bank representatives would not be unhappy to return to Beirut, if given the chance.

W.H.

FOREIGN EXCHANGE MARKET

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there is a large import/export trade which forms a natural base for trading in foreign currencies. That is why London emerged as a major foreign exchange centre, for example.

On this basis, the logical foreign exchange centre in the Gulf is probably not Bahrain, but Dubai (since Saudi Arabia and Kuwait are closed to most foreign banks). Citibank, for example, does the bulk of its local currency dealing in Dubai — it has five dealers in Bahrain but they do little else but trade Eurodollars. If banks are intent solely on doing foreign exchange business, a good case could be argued for Dubai. But problems over licensing, uncertainties over taxation, coupled with Bahrain's undoubted advantages in other fields, reduces the relative attractiveness of a Dubai operation. In addition to which the improved communications around the Gulf mean that it is pretty immaterial whether a bank is in Bahrain, Dubai or Kuwait. If it wants to deal it just picks up the telephone. Increasingly, the whole Gulf area is being looked upon by bankers as the market place, rather than any one centre.

The second problem for Bahrain, as with other young financial centres, is the shortage of "market-makers," that is, banks that will give bid and offer prices in the less conventional currencies. Most banks are willing to take funds but, as yet, few are willing to quote bid and sell prices. One banker estimated that the only banks that could be considered "market-makers" at the moment are ABN, Chase Manhattan, Bank of America, Société Générale, Banque Nationale de Paris and Chartered Bank. Alan Moore admits that some of the original "market-makers" might be feeling "a bit lonely" but thinks that there will be sufficient by the year-end as the newer banks grow more confident.

Limits

Another factor limiting the growth in the market is the conservative allocation of dealing limits by head offices to their own OBUs. This is understandable after the foreign exchange losses arising out of the Herstatt collapse and Lloyds' "Lugano affair."

Head offices are clearly concerned lest their man in Manama tries to corner the market in Omani Riyals when they are not watching. However, understandable though the conservative limits may be, there is no denying that they do limit Bahrain's growth as a dealing centre. Nevertheless, Alan Moore is "reasonably satisfied" that the banks are being given sufficient flexibility.

Attitude

The Saudi Arabian and Kuwaiti view of Bahrain's emergence as an offshore centre is dealt with at greater length in another article. However, their attitude to offshore dealings in their local currencies needs clarification. By decreeing that major contracts should be priced in Saudi Riyals, the Saudi Arabian authorities are helping to create a major offshore market in their own currency. But whether the Saudi Arabian Monetary Authority is keen to see the currency become more frequently used in international trade is another matter. If local governments wanted to, they could, for example, help the growth of dealing activity by supporting the forward markets in their own currencies. Until the local authorities start co-operating more extensively in the local money and forex markets, Bahrain's full potential as a dealing centre will not be realised.

In the final analysis the success of any market depends on the quality of the dealers involved. A bad dealer would be an enormous liability in Bahrain. In a big London bank a dealer tends to specialise in either deposits or foreign exchange. In Bahrain he will have to trade right across the board. On Saturday and Sunday, when the local markets are open, a dealer is left very much on his own. Last week's sterling crisis illustrates the problem. Sterling closed at $1.6485 on Friday evening and within an hour of London opening on Monday morning, had dropped to $1.5675. At what price should a Bahrain OBU have dealt in sterling over the week-end? In fact most play safe and do not deal in sizeable amounts. But as one banker pointed out, some wealthy Arabs do like to gamble and what better way than a "little flutter" on the sterling-dollar exchange rate over the week-end?

W.H.

A special relationship

AS A SMALL and economically vulnerable island, Bahrain has had little option but to come under the protective wing of its powerful neighbour Saudi Arabia. The political and economic support of Saudi Arabia is an essential pre-condition of the island's stability. The Bahrainis know this, and so do the Saudis. But neither side chooses to highlight this dependence. Saudi aid is discreet.

Meanwhile, the relationship between the two governments—or rather the two ruling families—is an exceptionally close one. The ruling Al Khalifa family in Bahrain is descended originally from the same tribe as the Saudi Royal House and in a region where ties of kinship count for much, this is an important factor.

The close relationship between Bahrain and Saudi Arabia was facilitated by Iran's withdrawal of historical claims to Bahrain in 1969. This effectively placed the island within the sphere of Saudi influence once the British presence was ended and independence declared in 1971. Since then the relationship has evolved as Bahrain's own economic development has taken shape and—more important—as Saudi Arabia's economic muscle increased. Inevitably the effect of the quadrupling of oil prices in 1973 has been to make Saudi even more the big neighbour.

Lying less than 40 miles from the Saudi coast, Bahrain's most obvious links are with Saudi Arabia's eastern province—where all the oil is produced. The Saudi coastline is extremely shallow and the deep water round Bahrain has enhanced its value as a port for the eastern province. Over 30 per cent. of all Bahrain's imports (upwards of $400m.) are re-exported to Saudi Arabia. This entrepot trade provides important revenue but the extent of Saudi Arabia's economic significance to Bahrain really lies in the oil sector.

Bahrain's own oil production is very small. In the first six months of this year it has averaged 57,000 b/d. As the flow from its own fields weakens Bahrain will depend increasingly upon oil coming from the offshore Abu Saafa field. This is shared jointly with Saudi Arabia under an agreement established with the late King Feisal in 1972. The 50/50 arrangement was considered a "generous gesture," since the Saudis could well have pressed a more substantial claim to this offshore field. It has a capacity of around 60,000 b/d.

Vital

Of course this is a mere drop in the ocean so far as Saudi Arabia's overall capacity is concerned. But for Bahrain it is vital. The Abu Saafa field provides some $140m. a year at current prices. What is more, the Saudis have been at pains to maintain production during the earlier part of this year when the heavy, high sulphur content crude was finding new buyers on the world market. Indeed Aramco, the field operator, reportedly sought to close down the field, arguing it was cheaper merely to give Bahrain a cheque.

Also vital for Bahrainis is the output from the island's solitary refinery, run by Bapco/Caltex. Bahrain's own oil is quite inadequate to feed the throughput capacity of 250,000 b/d. Thus the refinery is dependent on crude pumped from Ras Tanura 34 miles away on the Saudi coast. This crude is Caltex's share in Aramco and is a commercial arrangement (payments are made on a fee basis at 6 cents a barrel). Nevertheless in the past two years of sharp Saudi production cutbacks, the Bahrain refinery has been kept at near capacity, thus ensuring a healthy flow of exports from what is still considered an old but very good "swing" refinery.

Discreet

If either of these discreet Saudi means of economic support ended Bahrain would need to ask for more substantial direct budgetary and balance of payments aid. Direct budgetary aid from Saudi Arabia and Kuwait combined amounts to something under $15m. a year.

All the same, both to balance the budget, carry out necessary development projects and manage the payments situation Bahrain also relies upon direct funding. Here again Saudi Arabia is the main supplier, followed by Kuwait, Abu Dhabi and to a lesser extent Iran. The sums involved are rarely known.

Occasionally there are announcements which give some clue as to the extent of assistance. When King Khaled visited Bahrain earlier in the year he promised $100m. towards the island's housing plans. (Kuwait has also been generous in extra budgetary support for housing and education.) King Khaled's visit was also the occasion for Bahrain and Saudi Arabia to announce their commitment to a causeway linking the island with the Saudi mainland.

This latter scheme, which will cost $300m. financed by Saudi Arabia, is both the most controversial and potentially the most significant. Those in favour of the causeway project argue something like this: "Bahrain's economic future is intimately bound up with that of Saudi Arabia. The eastern province is the area selected by the Saudis for their major industrial development, the proposed port and industrial zone of Jubail alone could absorb billions of dollars over the next ten years.

"The spin-off from this expenditure will be felt by Bahrain. Bahrain already has or is developing the banking, legal and leisure services which Saudi Arabia neither has nor wants. Bahrain will thus become to Saudi Arabia as Hong Kong is to China."

The economic spin-off from the causeway is not denied by its opponents. But the critics fear the political and social consequences. They argue that this will enable the Saudis to control Bahrain more tightly. The spectre of hundreds of Saudis speeding down the causeway at the week-end to escape from puritanical liquor-dry Saudi Arabia is contrasted with Saudi Government pressures on Bahrain to ban all liquor. Such a move to ban alcohol is denied in Bahrain. But the mere fact that people should fear a move towards prohibition illustrates the degree to which there is belief that the Saudis are capable of doing something more than casting looks of moral disapproval from across the waters of the Gulf.

It is no secret in Bahrain that Riyadh looks anxiously things in Bahrain with 265,000 population—better e cated than anyone else in area and with a greater sense political awareness. Bahra experiment in guided par mentary democracy through election of a 44-man assem was frowned upon by Saudis. It was widely felt when the assembly was solved in August '75, Saudi p sure had been a key elemen too in the case of Kuwait summer).

Client

But it would be wrong to the impression from all that Bahrain plays a client The close relationship betw the two ruling houses w anyway prevent this. Ra does Saudi Arabia realise its own interests are best se by ensuring the economic political well-being of Bah By the same token Bal realises that without Saudi port it would be both polit and economically vulnerabl

Thus it is assumed—th never publicly stated—that Saudis have given their b ing to Bahrain's scheme to velop offshore banking, promote itself as a fina centre. But those who stra away expected the Saudi back offshore banking with instance, the deposit of by SAMA (the Saudi Ar Monetary Agency) misread way the Saudis react. For, wishing the offshore ba scheme well, they neverth will wait to see wheth really gets off the ground establishes itself.

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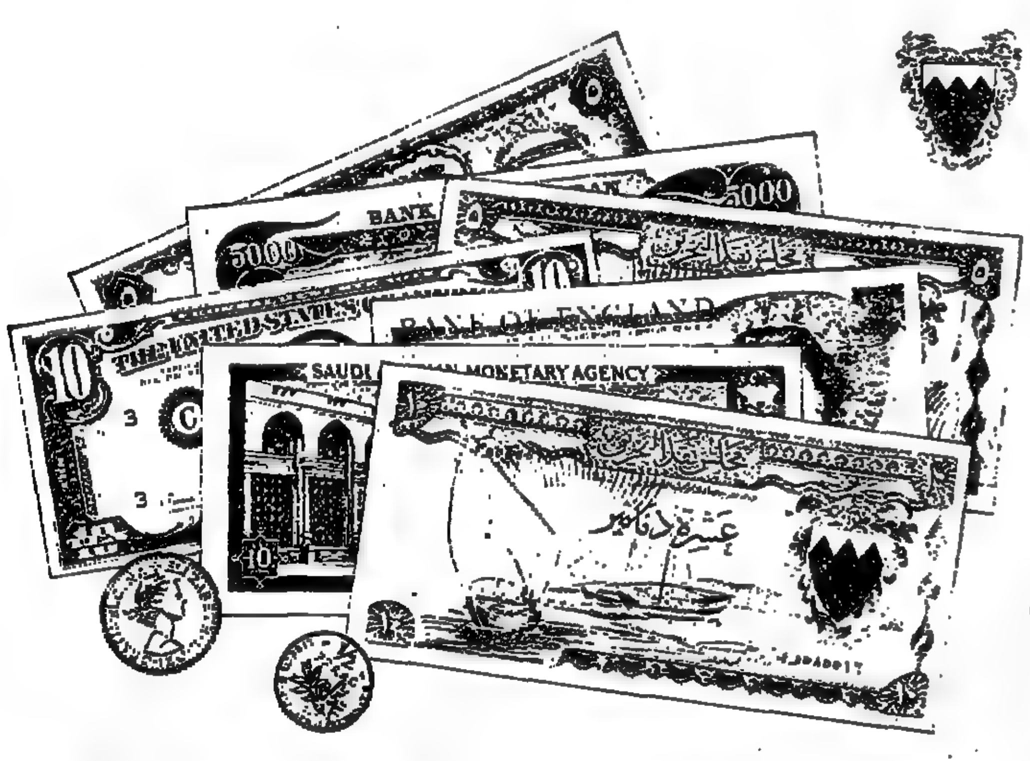

SERVICES

Professionals move in

IT IS THE ambition of many Bahrainis that their island State should become the business centre for the Gulf. While they will admit that Beirut cannot really be replaced as the meeting point for the Arab and the Western world, they do believe that Bahrain could fulfil a slightly different function. Those companies who have so much business in and around the Arabian peninsula that they feel obliged to set up office somewhere in the area could not do better than set up in Bahrain, so the argument runs.

Bahrain, its supporters point out, is much greener than anywhere else in the Gulf, though admittedly its climate ranks among the less pleasant. (But maybe that is changing—the past year has seen massive unexpected rainfall in the winter months and a summer much milder and drier than in public memory.) Its people, the sales pitch continues, are not only the best educated but also offer the most liberal and open society for the Western expatriate.

While there has been no great rush to establish corporate headquarters in the island, there has been a sudden increase in the numbers of companies offering professional services of one kind or another. Accountants Whinney Murray, as well as Saba and Co., have long-established offices in the island; other accountancy firms have been seen prowling round Manama and becoming slightly alarmed by the setting-up costs for offices and staff.

As yet none of the large international legal firms have been seen in town, but certain medium and smaller British lawyers have come out to add to the Western legal expertise in the island, so long represented by Ballantyne Associates. There are even rumours of certain of the big legal partnerships mooting the idea of an "offshore" permit to practise—in other words, they would not seek business in Bahrain but outside it, either through the offshore banks or on their own behalf.

Regional

Curiously enough many of the service companies that have come to Bahrain to use it as a regional centre have found that there is a great deal of business to do in the island itself. Bahrain's boom may have arrived rather later than in the other oil states, but its spin-off has been equally intense.

Business for all those service companies that have arrived, or that existed already, revolves principally round two pivots, the banking community and the construction industry. This is especially true for the lawyers, advertising agents and public relations men and the accountants. And, of course, the construction industry and the banks provide particularly good business for the chartered surveyors. (A chartered loss adjustor, specialising in the construction field, has also set up office in Bahrain, but at present spends most of his time in Saudi Arabia.)

The rough calculations go something like this: each of the 32 banks that took an offshore licence would have to bring in European staff; the complete newcomers would have to bring in about four people, those with existing retail operations perhaps just two; it added up to around 114 Europeans in need of housing. On top of that their employers needed business premises suitable to the dignity of banks.

Then, of course, the existence of the bank has to be made known to the wider public—both the Hilton and the Gulf Hotel have done rather well out of bank launch parties in the past few months. And the contractor or landlord and his properties have to be drawn to the attention of the banks. And contract matters have to be regulated between the two.

Until the arrival in Bahrain of chartered surveyors Debenham Tewson Chinnocks in January last year, the business of office letting was mostly done directly between landlord and prospective tenant, and there were only a few agents on the residential letting business, since this was also more often done directly by the landlord's office.

Leases, too, were very informal by Western standards and seemed to concentrate on that which the landlord was not liable for—which must have been some compensation for the very secure position of tenants under existing Bahraini housing law. But on the office supply front the buildings are getting more luxurious and some are purpose-built for office accommodation only (rather than being convertible into flats). And the Western businesses brought along with them their need for more detailed leases, apportioning responsibilities between landlord and tenant, covering points such as the maintenance of common areas and services and so on.

Demand

But as the banking business itself develops so the demand on the various service professions will increase. If the offshore banks go into the business of providing commercial loans, funding projects outside Bahrain, or into syndicated loans and bond issues, the demand for expert drafters of such agreements is bound to increase. One of the newly established legal partnerships is anticipating this demand and proposes to bring such a specialist to Bahrain in the near future. (What is still missing in Bahrain, though, is a fast and efficient security printer, but the costs of setting up such an operation would be phenomenal. Fortunately for the banks an overnight courier service to London is now available for the transport of such urgent and confidential documents.)

While waiting for this business to develop there is still plenty to do in the construction field in the regulation of contracts between contractors and their clients. Contracting is a field wide open to disputes anywhere in the world and the more so in the Arab world where the physical difficulties of construction are multiplied. Given the speed at which everything seems to need to be constructed both client and contractor stand in firm need of protection from each other in the case of difficulties.

Away from construction and housing, the past 18 months have seen a great deal of legislation emerge in Bahrain; the two latest Amiri decrees concern themselves with establishing a labour law and a law for social insurance. In these there is not much business for lawyers but some for auditors in the second. Earlier Amiri decrees established laws regulating agency and other commercial agreements and also brought into being a very detailed, comprehensive company law.

These last two laws have

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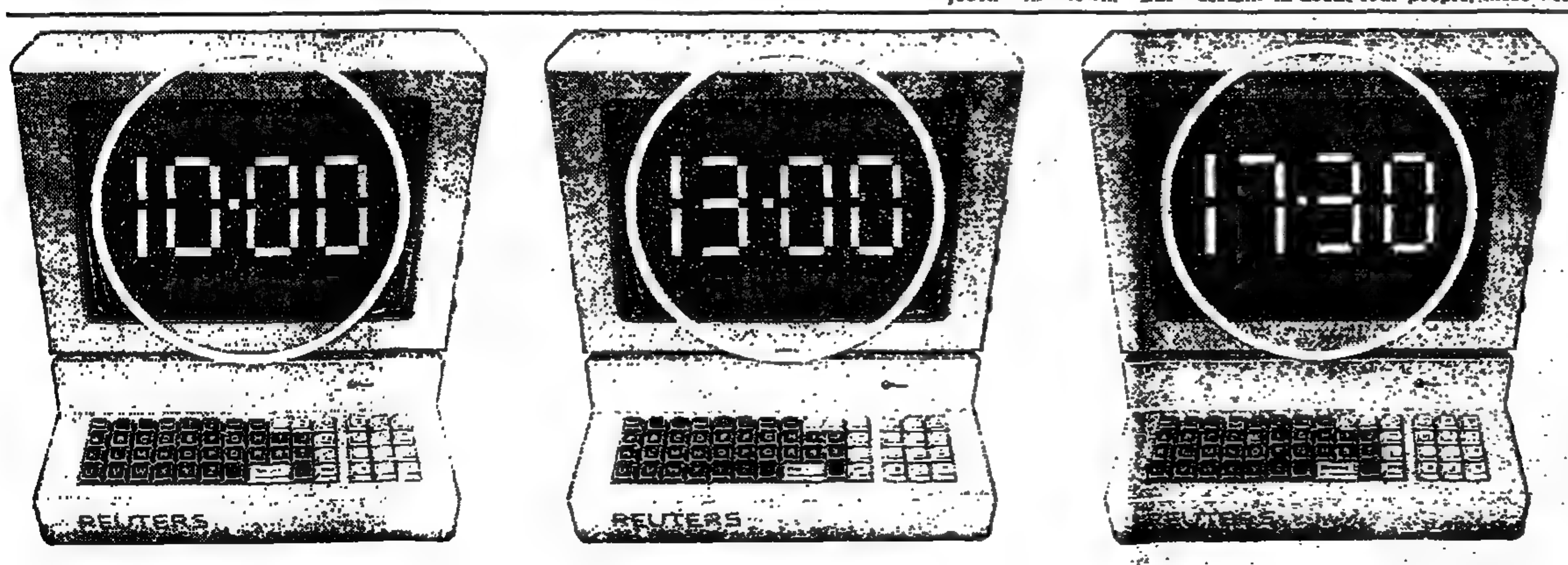

هكذا عن الأصل

An educated and growing workforce

BAHRAIN'S GREATEST natural asset, apart from its dwindling oil reserves, is its growing, educated labour force. Not only are the number of graduates in the working population increasing but there is virtual parity between the sexes at graduate levels of education. Bahraini women also are forming an increasingly important part of the labour force, particularly in the clerical sectors.

The present labour force numbers about 80,000, of which about half are Bahraini nationals and the rest expatriates principally from the Indian sub-continent and Western Europe. Projections have been made showing that around 3,500 school leavers a year will be entering the labour force over the next ten years. Of that number at least 1,000 a year will have completed secondary school.

Thus one imperative on the Bahrain Government is to ensure that there will be sufficient employment, of the right kind, for these new workers. This need was a positive contributary factor to the creation of the offshore banking sector in the island. A second imperative stems from the fact that the Bahraini economy is to some degree dependent upon immigrant labour, although to a much lesser degree than either Kuwait or the United Arab Emirates where roughly one in six of the population is a native of one of the seven States of the Federation.

To avoid even the possibility of social unrest, which is always a danger in countries with a high number of immigrants, the Bahraini Government has to fulfil two objectives. One is to keep the economy growing so that there will be continual opportunity for employment for those already in the country, both expatriate and native. The second is to make sure that the Bahraini does not begin to feel crowded out of his own country, and to ensure that the average man still feels that good opportunities are open to him.

Legislation

Recent labour legislation in Bahrain has to be judged against the background of these twin objectives. The two most important Amiri decrees in this respect are the very recent ones on the labour law for the private sector and the law for social insurance. The former has been two years in gestation and is principally concerned with the regulation of employment of both Bahrainis and expatriates. Its provisions came into effect immediately and the first, and most obvious result, was the closing of shops on Fridays (the Bahraini weekend) because overtime pay became compulsory.

Although the labour law was greeted by the banking community with the kind of enthusiasm normally reserved for legislation which increases paperwork and administrative time, in actual fact the banks will not be too much affected by it. Much of the initial grumbling will die down as both employer and employee get used to the workings of the law—not to mention the relevant officials in the Ministry of Labour. Assurances have been given that the regulations will not be applied in a restrictive fashion and given the hopes for skilled employment that currently rest on the banking community it is highly likely that it will receive sympathetic treatment.

Two aspects of labour law particularly concerned Bahraini officials. The first was contract law and the second, allied to that, was about commercial secrets. Before the new legislation came into being, little formal attention was paid to contracts of employment, with the rights and duties of both parties specified, except naturally in the upper echelons of expatriate management. Nor did an employer have any protection against a departing employee taking the commercial secrets of his ex-employer with him. As labour has become more mobile in recent years, and the growth of the banking community has entrained a great movement of accountancy, clerical and banking staff, this is of some concern to all employers.

The provisions for vocational training are also considered very important given Bahrain's ambitions to replace immigrants by its own citizens where possible. An official estimate of the rate of replacement works out at about 180 jobs a year. One of the clauses in the law, under the general heading of vocational training, must surely please all employers and that is the statement that a trainee must repay his employer for the training he receives by working for that employer for a specified period of time after training. The present large employers, who have lost trained staff to the banks, must regard that clause with a certain wry amusement. Bankers are keen to see the growth of training in banking and some of the larger retail banks have their own systems for this within their worldwide networks.

LABOUR PERMITS ISSUED

	1974 Bahraini %	1974 Other %	1975 Bahraini %	1975 Other %	Total 1974	Total 1975
Agriculture, fishing	24.0	97.6	7.1	92.9	86	70
Mining, mnfg.	33.0	67.0	13.3	68.7	1,650	4,095
Electricity, gas, water	35.3	64.7	15.4	84.6	323	325
Construction	24.6	75.6	4.1	93.9	887	973
Wholesale, retail trade, restaurants, hotels	15.5	84.5	10.0	90.0	84	30
Transport, storage, communications	44.8	55.2	32.2f	67.8	662	609
Finance, insurance, real estate, business services	42.9	57.1	36.1	63.9	14	1,540
Community, social and personnel services	27.4	72.6	4.0	96.0	2,479	999
Other	40.6	59.9	24.4	75.6	3,648	5,621

The social insurance law is much more complex and will come into effect gradually, starting with companies of over 1,000 employees. (To the surprise of the Ministry of Labour and others, there are more such large firms than anyone had ever guessed, partly due no doubt to the expansion of the construction industry.) It is largely based on the Saudi law covering the same field; the two laws have an advisor in common.

It is, of course, of great interest to the banks as the government will gradually acquire a pool of money from the social insurance contributions of both employers and employees, 11 per cent. and 7 per cent. respectively on salaries and wages with an additional 3 per cent. from employers for the medical fund. Although it was initially thought that the fund would be started by the input of the provident funds of the island's three largest employers, Bapco, Alba and Gulf Air, it is now much more likely to grow slowly. Gulf Air for one has decided to wind up its fund and pay out to all participants—which meant that at least one lucky employee of many years standing received a lump sum in Bahraini dinars running well into five figures.

Quite what will happen to the social insurance fund has not yet been detailed (no doubt some enterprising bank will make suggestions soon) but the basic proposals are that the money should be used to some degree for social infrastructure developments in Bahrain. "Before the main company provident funds went outside the country" points out one official. Advice on investment will be given by a tripartite committee, government, employers and employees. Of course what Bahrain — and most other Gulf states — stands in urgent need of is *some form of long term mortgage finance for housing for the middle and lower income groups.* (There is a grants scheme comprising both land and money for the lower paid.)

Detailed

Both the new laws are comprehensive and detailed, attempting to cover for every eventuality. So it is not surprising that every second employer and employee is able to find an anomaly affecting his personal situation. For the Western expatriates the concern is mostly with the social insurance law. Most of them are in Bahrain on short term contracts and are well covered by their companies at home for both pension, sickness and other disability insurance. At present it is assumed that the Bahraini scheme will be an underpinning of any other provisions made by the Western expatriate's employer. The problems arise over the period of a Western expatriate's contract in Bahrain: if it is less than three years this affects his entitlement to withdraw his and his employers' contributions from the new fund; there is the question of how his salary will be determined (contributions being related to salary) will it include housing and hardship allowances and lump sums for fringe benefits such as motor cars, travel home and schooling fees?

There is at present no provision in the social insurance law for an employer to contract out even were he to prove that his scheme was more generous than that of the government. While Western expatriates grumble at this and presently view the scheme as a 20 per cent. indirect tax, Bahraini officials point out that Westerners are not the only expatriates on the island. The immigrants from the Indian subcontinent have far less security with their employers and stand in need of more protection against sudden dismissal, injury, old age and sickness.

The ordinary Bahraini, too, has to get accustomed to the idea of the Government looking after this aspect of his affairs for him. While many have grown used to the idea of company pension funds and the concomitant deductions from his wages, putting the same responsibility on the Government is a new concept. The Bahraini, like most Gulf Arabs, is used to an open, personal form of democracy and government. Access to the Ruler is possible as it is to Ministers, but an impersonal committee taking charge of his funds is another matter.

It is highly likely that modifications to the new laws will come about as the snags in practice are discovered. No one doubts the good intentions of the Bahraini government behind these laws, and no one doubts its ability to make matters work on a practical basis.

D.T.

SERVICES

CONTINUED FROM PREVIOUS PAGE

created much business for both lawyers and accountants. Existing agreements have to be renewed to comply with the provisions of the new laws—such as that companies trading in physical goods in Bahrain must be Bahraini owned (a simple majority will do). Also as the scale of local business has grown and the new company law made it feasible, more limited liability companies are likely to be created. The formation of companies, partnerships and sponsorships agreements is a growing field for both professions.

Complexity

The growth of local business and its increasing complexity, has set up a call for more accountancy services, particularly on the financial consultancy side. This has required some gentle selling as the benefits of consultancy are intangible until purchased. The increasing number of joint ventures and joint stock companies, of which there are about 20 in Bahrain at present, has called for higher standards of financial management and more sophisticated financial and managerial controls. (But management consultants have not, as yet, invested heavily in staff out in the Gulf.)

Advice on personal financial matters, too, is now more readily available. The London commodity broker, M. L. Doxford, has been in Bahrain for a little over a year and claims to have prospered exceedingly — also on behalf of its clients. It has recently widened its business to include all forms of personal investment. Two of the Western world's leading stockbroking houses are in Bahrain, and U.S. brokers Merrill Lynch have recently opened an office in Bahrain. And London's Rowe and Pitman also has a man in Bahrain. A local Bahraini broker, dealing exclusively in the shares of Bahrain's 20 joint stock companies, claims to be doing good business. The world's insurance companies are quite well represented in Bahrain in varying degrees of strength. Also a new local insurance company has just been founded in Bahrain. And the National Bank of Bahrain insurance department has just placed the cover for the vast Al Jubail port development in Saudi Arabia.

In short, a rounded business community is developing in Bahrain. While trading is still vitally important to the island—it has to import almost everything at the moment—construction has become a boom industry and banking is becoming a third strong influence, while the professions, too, are quietly establishing themselves. Bahrainis may yet see their island become the business centre of the Gulf.

D.T.

The mobile revolution

THE LIFE and prospects of the expatriate worker has been effectively revolutionised since the war. No longer are postings measured in years broken by lengthy periods of leave: although the terms are still used, the sense of separation from the home country is no longer so great. This is in part due to the spread of telecommunications and the jeans and cola culture of the United States. But the strongest influence for change has been the impact of the increasing networks of the world's airlines and the ever increasing speeds at which their planes travel.

If one can leave Bahrain after a late breakfast and arrive in London in time for lunch—or in winter, traffic in London permitting, in time for pre-lunch drinks—exile is hardly the correct term for a working stint in the Gulf. Sadly the Concorde service has been reduced to once a week, leaving Bahrain on Tuesdays, for it rapidly became popular with the wealthy and those on generous expense allowances. But 14 of the world's major airlines pass through Bahrain's international airport on the island of Muharraq, which is linked to Bahrain itself by a newly resurfaced four-lane causeway.

First opened in 1971, the Muharraq airport was, and still is, one of the most modern and busiest in the Gulf. Last year on average 40,000 passengers came and went and a little over that number of transit passengers were also looked after. Aircraft movements roughly averaged 1,100 a month during the year, and the increase in air freight handled was such that the air cargo authorities had to close the airport to incoming air cargo for two weeks after the end of Ramadan to clear the backlog built up in that month.

Forward

Expansion plans scheduled for the late 1970s have been brought forward because of the increase in planes, goods and people handled. It is planned to extend the western end of the terminal to add 80 per cent. to its capacity. A presently unused air bridge will be moved across so that passengers can disembark without suffering too much from Bahrain's humid climate on first arrival. There will be new and better VIP facilities in the extension, as well as a larger transit lounge with a duty-free shopping area which hopes to rival that of Dubai. Already thought is being given to a further expansion at the eastern end of the present airport terminal: stage two should be complete around the turn of the year.

The principal airline to operate out of Muharraq airport is the Gulf States own airline, Gulf Air, which is now in its second year as a fully-fledged international airline. Owned equally by Bahrain, Qatar, the United Arab Emirates and Oman, the airline has nevertheless decided to keep its headquarters on the old RAF base at Muharraq and is spending heavily on new office, residential and training accommodation. A training and office complex costing BD1.4m. is currently inviting contractors to pre-qualify and a high rise block of 192 flats for some of its 3,500 staff has been designed.

Fleet

The airline's present fleet includes five VC10s and 5 BAC 111s, the four much heralded luxury Lockheed Tri-Stars, with five Boeing 737s on order and still a fair number of small Fokker jets which do the Gulf states bus stop journeys. The airlines' bus stop routes are now severely overcrowded at certain times of day, and putting the 737s on the inter-Gulf states routes could add up to 50 per cent. to the airline's capacity. At present five or six flights a day leave Muharraq airport for other Gulf destinations.

As Gulf Air has the widest coverage of the Gulf states traffic it naturally comes in for more than its share of grumbling from passengers—as though the occasional eruption of camels unto the runway at Abu Dhabi airport causing a 1½-hour delay, only ever happens when a Gulf Air flight is about to leave. (The only way to get camels off the runway is to chase them with fire engines and hose them off, a sort of large-scale riot control operation.) However a few other airlines already have picking up rights, and as more get them so the targets for passenger complaints will increase in number.

The management of Gulf Air, now mostly Arab nationals, is currently concentrating on staffing up to the requirements of an international IATA standard airline (Gulf Air is not an IATA member). Its main commercial preoccupation during the coming year is going to be to increase the density of its service between the Gulf and Europe. At present the airline flies to London, Paris, Amsterdam and Athens, and it would very much like to add Rome and Frankfurt to its schedules. A new holiday route, to Larnaca in Cyprus, has recently been inaugurated to cope with the increasing numbers of Gulf residents going on Kanoo Organisation package holidays to Cyprus. Cyprus is also gradually taking over the role of the Lebanon as supplier of fruit and vegetables to the Gulf states, which provides a handy amount of air freight business.

Gulf Air's main marketing weapon to catch traffic on the busy Europe-Gulf routes, is the fleet of luxury Tri-Stars. In outfitting these vast planes the airline went contrary to the usual airline practice of attempting to pack as many people in as possible. Instead it opted for space and luxury. The basic Lockheed L1011—more popularly known as the TriStar—can accommodate up to 400 passengers in normal IATA standard comfort (the standard is not always agreed by passengers on the longer flights).

Under the banner of "Five-Star TriStar" Gulf Air adopted a much lower seating density: in total the plane will accommodate about 220 passengers. There are 50 first-class seats—40 in the main cabin at a 40-inch pitch and another ten in the first-class lounge, which also has a library, a gift boutique and radio telephone connections with the ground. Swivel chairs and wide tables are also provided.

In the economy class, passengers are seated eight abreast, in a configuration of two, four and two, with the middle four being split into pairs separated by a table. There are around 170 economy class seats at 34 inches pitch. And of course there are the inevitable wide screen cinema installations and stereo sound programmes in both Arabic and English.

On a more prosaic note the three cargo compartments are heated, pressurised and insulated. The forward and centre compartments can take standard half width containers, with the alternative of pallets in the forward compartment and bulk items (or livestock) in the rear compartment. The service galley for preparation of meals is also located below the main deck, tucked away from both passenger and cargo loading areas. The five infra-red ovens are capable of preparing around 270 meals (the crew must eat too) in 20 minutes.

At the end of September this year around 100,000 of the 800,000 passengers carried over the past 12 months were on the new Tri-Star planes. Estimates for the coming year suggest that Gulf Air will be carrying over 1m. fare paying passengers.

Gulf Air's revenue for the fiscal year 1976, ending September, was around the BD30m. mark, and current estimates suggest that this will more than double to around BD70m. in fiscal year 1977.

To achieve this at the same time as the organisation is gradually being taken over by Arab nationals—most of the top jobs are now held by Gulf or other Arabs—will require good staff planning and management. The company had recently established a manpower committee to study the staffing patterns of the airline, consisting of four two-man teams. Its main objective was to study the problem of over- or understaffing in various departments as well as the nature and distribution of jobs.

One of the most important aspects of the manpower programme is the training of both technical and service staff. Gulf Air now employs around 400 air hostesses, the majority based in Bahrain (so adding greatly to the social amenities of the island), who are principally trained in Bahrain. A new training manager joined the airline in mid-summer and he is currently studying the company's existing training programmes at the training centre.

The pivot of the training programme is the eight-year plan for training Gulf Nationals and so completing the "Arabisation" of the airline. The company has signed training contracts with both Hamble College of Air Training and Perth Air Training School. Beginning in September this year, the contract with Hamble provides for a minimum of 16 trainees a year and guarantees vacancies for this number over the next eight years. While Gulf Air itself will do the preliminary screening, flying aptitude tests will be carried out by Hamble College itself.

At Perth there is also [an] eight-year contract; the fi[rst] group of ten students went [in] at the beginning of October a[nd] ten more will be going at th[ree] months intervals. The p[ro]gramme is such that by the e[nd] of 1977 around 53 Gulf nation[als] will be in one stage or anoth[er] of the 2½-year course. Mana[ge]ment training is mostly car[ried] out on the job, with posti[ngs] in the various Gulf Air locati[ons] —a stint in the new Lon[don] office being particularly sou[ght] after.

D.

TELECOMMUNICATIONS

Keeping up with growing demand

ALL ASPECTS of telecommunications in Bahrain have grown enormously in the past six years, and phenomenally in the past year. The number of lines connected grew by 123 per cent. over the past six years, the number of instruments in use by just under 160 per cent., and the number of private exchanges for business use by 260 per cent. And still Cable and Wireless has a £45m. capital expenditure programme for Bahrain covering the next five years.

A large proportion of this expenditure will be devoted to the installation of new exchanges outside Manama, capital of Bahrain, and the necessary cable-laying to go with them. In recent months the service emphasis of Bahrain Telephones, the Cable and Wireless managed public telephone service, has been on the commercial sector. As Bahrain has encouraged the international business community — and banks in particular — to come to the island, the island's services have naturally had to follow suit.

The result is that there is a backlog of domestic telephone installation work to be carried out which will take Bahrain Telephone around 18 months to make up. Many of the domestic would-be users are living in new housing developments in rural (relatively speaking) towns. This results in a need for new exchanges at places like Boudaiya in the green belt and Rifa'a on the high points of the island. The oil company town of Awali also has yet to be brought into the network of exchanges, and at present it has its own switchboard.

GROWTH OF TELECOMMUNICATIONS

	1970	1970	1972	1973	1974	1975
Telex—paid minutes ('000)	114	216	289	413	560	934
Telex machines	36	58	74	105	137	217
Telephones—calls ('000)	7	7	8	9	12	260
Telephones—instr. ('000)	12	13	14	20	23	25
Private exchanges	121	145	167	209	247	329

Source: Cable and Wireless.

Grievances

The high proportion of business users means that the number of lines is but a small indication of the number of telephones actually in use. The system at present—some 15,000 lines but through the more-than-400 private business switchboards some 30,000 telephones are in use. (The forecast for 1980 is 45,000 lines.) It has placed an immense strain on the system which is noticeable, for example, in mid-mornings Bahrain time. London is two hours behind Bahrain in summer and three in winter, so between 11 a.m. and mid-day Bahrain time, subscribers stand less chance of getting a line immediately they pick up the instrument and this varies in severity according to the exchange and the day of the week.

It is almost part of the job description of any national telephone service to act as a public focus of grievances and this afflicts Bahrain Telephones no less than any other service. But on the whole Bahrain residents have been rather spoiled. The cost of local calls has not increased since the mid 1950s and the connection charge is still what it was in 1949 when the first exchange went in—BD2,500. Direct dialling is now possible to Qatar, Abu Dhabi and Dubai and in a few months it should be possible to get Kuwait direct.

The plans for next year include direct dialling to all countries capable of receiving it. There are always two ends to any telephone or telex connection which is why it can take hours or sometimes days to raise Riyadh, where there is insufficient receiving equipment. Much the same is true of calls to Iran which itself is undertaking a massive telecommunications expansion plan.

In spite of the massive increase in the number of telephone calls made — 1975 totals were double those of the previous year — it still seems possible to strike up a friendly relationship with the international operators. A friendly relationship with the operator is quite helpful in getting international calls through rather faster than the operator's initial pessimistic estimate. Whereas at one time a call could be put through to Lon-

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هكذا من الأصل

No end in sight to the building boom

ON THE left hand side of the Jufair Road, as you are driving down to Mina Sulman, a most palatial villa is slowly being constructed. It is of ample proportions, elegant design and being lovingly built—it almost looks as though the concrete is being smoothed on with an artist's palette knife.

In a way this villa is symbolic of the present property market in Bahrain, which has created many a dinar millionaire in the past couple of years. (A dinar millionaire would be worth roughly £1.5m.). The villa reportedly belongs to one of these new property millionaires, and the obvious care with which it is being built would seem to ensure that it will not suffer in the way that so much residential accommodation does deteriorate in Bahrain.

There is about $3bn. worth of construction work in progress in Bahrain (excluding large projects such as the drydock and projects still sufficiently vague not to have a value) the bulk of it Government work but a sizeable proportion due to the private sector. Construction for the private sector falls into three categories: commercial, residential and "leisure" or hotel projects. Present dinar millionaires have been created largely through their work on Government projects and also through their own investment in residential property for expanding Western expatriate community and the wealthy Bahrainis.

Speculation

As the property boom got under way, land speculation also increased and land values in some areas of Bahrain have rocketed. An example is land in the centre of Manama's souq, where access is difficult and some of the streets can barely accommodate a car, never mind the base of a tower crane.

Another major area for speculation is along the route of the road that will link Manama with the land point of the proposed Bahrain-Saudi Arabia causeway. Hopeful speculators have visions of Saudi or Kuwaiti week-end or holiday homes. But even in the suburbs of Manama (if any area only eight minutes from the centre can be called a suburb) land has changed hands a few times before being built on.

The area of quickest return has been in private residential accommodation, with the returns on prefabricated houses, as opposed to conventional ones, coming soonest. It costs roughly BD30,000 to erect a kit-form three-bedroom house (exclusive of site and consultants' costs), which will rent for around BD800 a month (and virtually no maintenance obligations on the landlord unless the tenant has a European-style rental agreement). A conventionally constructed house tends to have more rooms and be rather more prodigal of space, costing around BD40,000-BD50,000 to put up. But rentals in this last category have been known to touch BD1,000 a month.

The sums are very tempting. The basic construction cost on the first house can be recovered in about two years, on the second it will take just under four years. At present banks are lending on an overdraft or a time basis, or a combination of both, to builders, but they are watching the sector closely. Stage repayments out of rental income is still something new to Bahrain.

A popular method of letting residential developments has been on a "build to order" basis for Bahrain's major employers, Gulf Air, Alba and the drydock project ASPRY, who take whole compounds at a time. Owners sometimes let direct—particularly on a Bahraini to Bahraini basis—but many are now setting up their own letting offices or using the town's established agents. The British chartered surveyor Debenham Tewson Chinnocks first came to Bahrain with the idea of advising Gulf arabs on their property investments in Europe, with the secondary notion of perhaps working in the local market. It found that there was a growing demand for its services as the letting business became more Westernised (a result of the influx of Western expatriates and also the increase in the cost of construction) and has just recently opened in Dubai.

Pre-letting of space has caught on particularly fast in the commercial sector, where total costs are that much greater. It has been estimated that there is around 500,000 square feet of office space ready to come on the market in the middle of next year, half of it in the prime business area. The rest can still be described as the "central" business area. Three massive projects in particular are worth mentioning: Bahrain's first skyscraper, the 18-storey Bahrain Tower (often referred to as the Baluch Tower after its principal instigator), which will put around 100,000 square feet of prime office accommodation on the market; then there is the building between the National Bank of Bahrain and Government House, known as the Shaikha Hassa building, which is a mixed office, flats and shopping complex; third, there is the Shaikh Mubarak building quite close to the Pearl Building which houses so many of the offshore banks.

A considerable part of the Bahrain Tower's available space has been pre-let at between BD7,000 and BD8,000 a square foot. These three buildings are likely to be ready by the middle of next year at the latest. So it is hardly surprising that very few new office blocks are planned for the centre of town, although the proposed $68m. Sheraton [illegible] complex, between Government House and the Hilton Hotel, is also planned to include some office space. There are also numerous smaller office blocks in course of construction, up to seven storeys high.

Excitement

Most of the excitment in the property business over the next year or so is therefore likely to be in the hotel and residential accommodation field. There are some five hotels currently under construction in addition to those such as the Sheraton, the Hyatt and the Inter-Continental which are reported to be at various steps along the discussion stage. Many of these hotels will have leisure and shopping facilities to let, and most will be run by internationally known chains.

Given the rapid rate of construction in the residential field, it is rather surprising that European developers, with years of experience in putting together development projects, have not been more in evidence. One Bahraini in the real estate business was approached by an English developer who offered the classic package— you buy the land (only Bahrainis or certain Arab nationals can own land), we pay for the cost of the development designed by us, we pay you a certain percentage of the income for a period of years, after which the whole reverts to you. The Bahraini turned the deal down since he was not so optimistic about future rental income.

There has been talk of luxury developments in Bahrain along European lines — complete leisure villages, for example — in anticipation of the linking of the island to the mainland and the continual increase in the number of expensive Western expatriates and wealthy Bahrainis. (A classic property advertisement in a local paper touted a house that was suitable for an Ambassador or a "big manager".) But Bahrain does have planning controls, particularly on construction in its green belt—one of the island's most attractive assets—and such projects may not find it too easy to get off the ground unless the Bahraini sponsor is carefully chosen.

In the meantime letting contracts for both office and residential accommodation have developed much more along internationally accepted lines. This is partly due to the influence of the big international banks whose head offices just would not know how to grasp the previously available agreements, which were largely negative. It is also partly due to the increasing sophistication of the buildings themselves and their owners' appreciation of the value of these more detailed letting contracts.

At present residential tenants under Bahraini law are in a very protected position. Rent increases are in theory restricted to 10 per cent. a year if the landlord has fulfilled certain obligations. Also in theory, the landlord cannot demand vacant possession unless the house is needed for his children, principally married sons. In practice a certain amount of give and take has been the order the day.

D.T.

TELECOMMUNICATIONS

CONTINUED FROM PREVIOUS PAGE

don in "two or five minutes" one hour is now the standard estimate. But often the call will come through in half an hour, especially if the operator is requested to try for only a half hour delay. Only rarely does it not come through at all.

The major impact on Bahrein's telecommunications system has come from the upsurge of off-shore banking units that have been set up in recent months and the three money brokers that have joined them. The money brokers, in particular, are heavy users of telephone and telex equipment by the very nature of their trade. Marshall's which was the first international money broker in Bahrein uses an open line to Hong Kong, Singapore, Bahrain, London for certain hours of the working day.

Modern

The fact that Bahrain's telecommunications systems only began after the war has meant that the island has very modern exchange equipment and is technically quite advanced.

The number of telex machines installed has more than doubled during 1975 and increased considerably this year as well. A machine costs around BD396 a year in rental charges, plus a line charge of BD67 and a once off installation charge of BD15,000. Telex equipment is quiet sensitive and there are a great number of non-professional users in Bahrain—businessmen who have learned to operate telexes themselves because their secretaries do not work afternoons, for example. This places quite a strain on the servicing departments; after a breakdown a maintenance crew will turn up in about half an hour (if physically possible) and if it is not possible to mend the machine on the spot, it will be hauled off and a replacement delivered within two hours.

Direct telex connections with most of the States on either side of the Gulf are good, although Qatar still needs operator assistance, as does Iraq and Iranian towns other than Teheran and Khoramshar. Most of Europe is on a direct selection link as are the U.S. and Canada. Telex traffic has expanded along with the banking community, paid minutes used have gone up by 66 per cent. in the course of 1975 but this compares to an increase of 113 per cent. in the number of telephone calls made over the same period.

The telex network in Bahrain is capable of being expanded from the present 550 machines to 800 without undue strain, the main constraint on expansion being the availability of cable links. And investment in new cable laying is quite high, it costs around £100,000 a mile to lay a cable that can take up to 4,000 pairs of lines. A new network is currently being installed in Manama—cable laying is part of the responsibility of Bahrain Telephones and comes into that company's capital expenditure budget.

The Cable and Wireless company in Bahrain has recently reorganised itself, partly in order to cope with the influx of new business. It is now in four divisions, of which Bahrain Telephones is one; the other three are engineering, finance and administration. Each division has a manager general managers, and the Bahrain organisation is completely separate from the Cable and Wireless companies in other Gulf States.

It is likely that the company will be taken over by the Government in the foreseeable future. At present the Government controls the prices and the company applies to the Government for approval of any changes in the tariffs for its services. Whether the Government will take over just a majority holding in the company, resulting in a 51/49 partnership as has been the case between some of the large British trading houses and private Bahraini interests, or whether it will follow the pattern established with its two major industrial companies, BAPCO and ALBA, has not yet been made clear.

Promising

In the meantime the future looks promising for the company in Bahrain, demand is continuing in all sectors of its operation and the demand for telecommunications "gadgets," too, is growing—the company has just sold its entire stock of bleepers and much interest is shown in its recently introduced telefax service. Telefax enables the user to transmit printed documents or drawings over a telephone line to a printer at the receiving end. Banks could find it a useful alternative to the new courier service.

In spite of the occasional extraordinary delays on international calls, the system when challenged can rise to the unusual demand. Such as the time when an expert on Middle East investment found himself in Bahrain while he should have been delivering a talk at a seminar in London. A call was booked to London for a specific time, came through spot on time, was linked into the loudspeaker system of the hall where the seminar was being held, and a two-way question and answer session followed on the talk. Delegates to that conference were suitably impressed.

D.T.

A dry dock for the Middle East

THE FIRST Pan-Arab industrial venture, the Arab Shipbuilding and Repair Yard (ASRY), looks set to start operations in the second half of next year: some nine years after it was first mooted and four years after the project was given the go ahead by the OAPEC Ministerial Council. However, even before the first very large crude carrier (VLCC) docks at Bahrain, the latest indications are that it could be many years before the yard is fully employed.

This is because a serious over capacity of shiprepair facilities in the Gulf looks inevitable if Dubai and Iran press ahead with plans to build VLCC repair docks of their own. Lacking any facilities at all at the moment, the Gulf could in a few short years have six docks capable of handling VLCCs.

Arab Shipbuilding and Repair Yard Marketing Services (ASRYMAR) which, as the name implies, is responsible for marketing the Bahrain facilities world wide, is in no doubt that there will not be enough business to keep all the yards fully occupied. The result is that the docks at Bahrain, Dubai and Bandar Abbas may well be locked in destructive competition, which will force them to draw heavily on the treasuries of their respective owners and will do nothing to help political relationships in the Gulf.

The first precise indication of market prospects for the yards derives from a detailed study commissioned by ASRYMAR. This has examined traffic flows in the Gulf during the first half of this year involving oil tankers over 40,000 dwt.

According to Mr. Gifford Rossi, chairman of ASRYMAR, projections for 1979, 1984 and 1989, indicate that only about 50 per cent. of the total demand for repairs in the Gulf is likely to be from VLCC's. Some 30 per cent. would be in the 70-170,000 dwt. category and 20 per cent. between 40 and 70,000 dwt.

"This will mean a highly competitive situation and the development of a buyers market. What is needed is some way of consolidating the shiprepairing activities of Arab interests," says Mr. Rossi. At the moment, there is no sign of any move in this direction. Achieving a modus vivendi between the three sets of facilities, or better still the abandonment of at least one of the rival projects, will be a highly delicate matter of political negotiation, whose path would certainly need to be smoothed by an improvement in general relations between the parties. In any case, a major complication is the fact that the three yards are being built more for reasons of national prestige than commercial benefit.

Survival

ASRY's chances of survival in any war of attrition cannot be in doubt since it is backed by seven powerful members of OAPEC — Bahrain, Saudi Arabia, Kuwait, Libya, Iraq, Qatar and the United Arab Emirates. Its $300m. capitalisation is fully written up and the yard starts with $50m. working capital. It also has the great commercial advantage over the yards in Southern Europe and Singapore, which are its nearest rivals for VLCC traffic, in that it will not be required to service any loan debt nor to make any commercial return on capital employed. Its sponsors have no expectation that revenue will match operating costs for many years.

However, the project's atraction when it was first discussed within OAPEC was always political, representing as it does a "downstream" movement into the oil transport industry. However, in 1968 when a memorandum detailing the project was first discussed within OAPEC, it also seemed that the yard's commercial prospects might be excellent. With the closure of the Suez Canal it looked inevitable that a large number of VLCCs would be built, and there were few repair yards that could maintain and service them—at that time none between the Gulf and Europe and the Gulf and Japan. It appeared then that no yard could be better located: the Gulf attracted the largest volume of VLCC traffic of any stretch of water in the world, and vessels would be arriving gas-free after long ballast voyages and therefore, ready to go straight into dry dock. Sheikh Ahmed Yamani of Saudi Arabia was OAPEC's first secretary general when the proposal was made. A feasibility study was encouraged, which concluded that the project could have a promising future. But progress was then stalled by a succession of setbacks. Although the original idea was to site the yard at Dammam, by 1974, when OAPEC Ministers approved the arrangements now underway, the proposed location had been switched to Bahrain, with the Portuguese shipbuilders and repairers, Lisnave managing the project. Sir Alexander Gibb and Partners and the Portuguese company Profabril were appointed as consulting engineers, and in October, 1975, the $145m. construction contract was awarded to the South Korean company Hyundai.

Construction is now well under way on the 500,000 square metre site, which is on land reclaimed from the sea and connected to the mainland by a 7 kilometre causeway. The site is at the southern end of a natural reef which forms the eastern boundary of a substantial tidal inlet. In the nearby deep-water area of Port Sitra are tanker berths serving the Bahrain Petroleum Company refinery and the jetty of the Aluminium Bahrain smelter.

The yard's design is aimed at maximising productivity and minimising vessel repair times. The initial dry dock and two-finger jetties will provide four repair berths for VLCCs and a discharge quay for yard imports. The dry dock's measurements will be 375 metres by 75 metres and its facilities will provide high-pressure fresh water, gritsweeping gritblasting and painting. Equipment will be installed for providing propellers, tail shafts and rudders, while the dock will be served by cranes with lifting capacities of 15 and 100 tons. Two floating cranes will be on site one with a lifting capability of 200 tons. A 35,000 dwt tanker is being designed to operate as a tank cleaning station capable of receiving under a continuous segregating system slops, dirty ballast and tank washing water at a rate of 1,000-1,500 tons an hour.

Some 1,500 South Koreans are involved in constructing the yards, and many of these are being trained to form part of the labour force when it becomes operational.

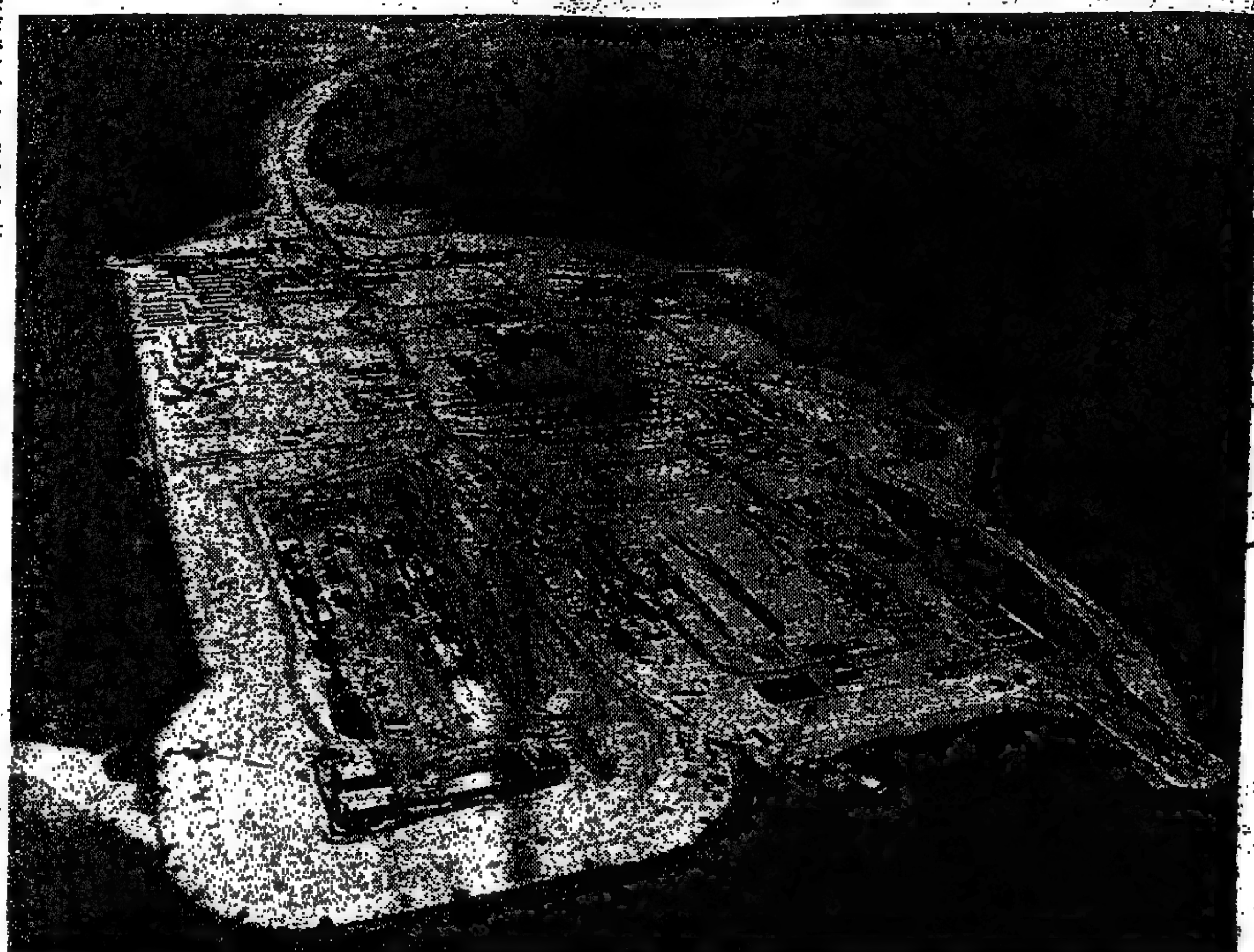
Europeans

Estimated labour requirement is about 1,500, and although the aim is that as high a proportion as possible should be Arab, initially little more than 10 per cent. is likely to be indigenous. Virtually all of the managerial and supervisory jobs down to foreman level will be filled by Europeans. The general manager is Sr. Machado Lopes, formerly of the Setenave yard in Lisbon. Mr. Lyle Craig, a Scot who is an ex-employee of John Brown's on the Upper Clyde and later of Lisnave, has been appointed production manager. Altogether about 300 Europeans have been appointed so far.

Mr. Rossi says that strong interest in the yard is already being shown by tanker operators, and some have even tried to make firm bookings. These are not yet being accepted, but an agency network has been set up and ASRY now has representatives in the U.K., the U.S., France, Benelux, Norway, Sweden, Denmark, Italy, Greece, Hong Kong, Japan and Brazil. Thus the outlook is not unpromising—but for the threat posed by the possible developments at Dubai and Bandar Abbas. However, Bahrain should have at least two clear years free from competition to establish just how solidly tanker operators are disposed to support an Arab repair yard. All the world's shipping will be watching closely.

John Wyles
Shipping Correspondent

South Korean workers preparing the site for the dry dock, which is shown below in the course of construction.



Michael Donne reports on plans for a second generation supersonic airliner

A successor to Concorde

An artist's impression of a possible Advanced Supersonic Transport, by McDonnell Douglas of the U.S.

WHEN THE Ministers in charge of the Anglo-French Concorde programme meet in London next Tuesday, they will discuss the long-term possibility of developing a second-generation supersonic airliner, and may authorise preliminary studies for such a venture. Such a decision, if taken, need not cause concern that vast new expenditure is about to be committed before even all 16 Concordes so far authorised have been sold.

First, any second-generation supersonic airliner — often referred to as the Advanced Supersonic Transport, or AST—is still a long way away. It will be perhaps as much as 15 years before it ever enters airline service. Even Concorde, which formally began with the Anglo-French treaty of November, 1962, was preceded by several years of discussion and research, so that it has taken nearly 20 years to get from conception to airline service.

Secondly, there is no doubt at all that the AST, when it comes, will be a tripartite development, with the U.S. industry as much involved as the U.K. and French, with perhaps also other countries on the Continent and as far afield as Japan.

A third factor is that no matter how much preliminary discussion there may be about the AST, it will certainly not be built until all the Governments and manufacturers involved have established clearly that a market for it exists. No-one is going to repeat the mistake of launching upon such an expensive venture without the guarantee of enough firm contracts to make it commercially worthwhile.

Thus, it seems highly unlikely that anyone — either Governments or manufacturers — will commit themselves to the possible expenditure of another £1bn. or so on such an enterprise until everything has been done to ensure its success.

The purpose of the two Governments is to capitalise on the vast amount of work done, the knowledge gained and the money spent on Concorde. It has been accepted that the £1.2bn. spent on the research, design and development of Concorde is not going to be recovered directly through sales of production aeroplanes, even if demand does improve over the next few years, and further aeroplanes are ordered beyond the 16 already authorised by the U.K. and French Governments.

Acceptable

Estimates of the possible market for Concorde vary widely, from no more than 20 aircraft through to a possible 50 in the 1980s, depending entirely upon the aircraft's ability to perform in airline service and prove itself socially acceptable to communities around airports. So far, with limited passenger services to Washington from London and Paris, to Rio de Janeiro and Caracas from Paris, and to Bahrain from London, the aircraft is performing well, with high load factors (sometimes reaching 100 per cent.) enabling it to cover its direct operating costs, and with fewer noise complaints than many had feared likely.

This encourages the makers, the two governments and both BA and Air France to hope that some time in 1977 the aircraft will also be allowed to land in New York, and be able to fly to Singapore and Australasia and the Far East. They believe that by expanding the network in this way they will be able to demonstrate even more conclusively that Concorde is not the monster many had feared, but just another aeroplane, smaller than a Jumbo jet, which in spite of its greater speed can fit into the world's existing air traffic system without disruption. This, they feel, together with continued profitable operation, is the best inducement other airlines can have to buy Concorde.

The fact that manufacturers in various parts of the world are already thinking in terms of an Advanced Supersonic Transport indicates that there is now a growing acceptance that the supersonic era has arrived, and that much though its advent was feared and criticised, there can be no turning back.

It is argued that, historically, the development of transport demonstrates that once a faster means of linking two places has been firmly established, it generates its own momentum, albeit slowly, and no-one really wants to — or even can — go back to former slower modes of travel. In air transport few, if any, want to return to transatlantic piston-engined airliners, while many of today's travellers could not run their business lives if they were obliged to travel long distances by sea.

It is increasingly recognised, therefore, that long-haul supersonic air travel is here to stay, even though its spread throughout the world will take time. The designers, in turn, are already looking at ways of improving on the first-generation aircraft, and many studies have been undertaken in the factories of British Aircraft Corporation, Aérospatiale, Boeing, Lockheed and McDonnell Douglas. The consensus is that what is really needed to make supersonic civil aviation pay is not necessarily a faster aeroplane than Concorde, with its 1,300 mph. (or about twice the speed of sound), but a bigger one, capable of carrying twice the Concorde load of 100 passengers a time. While faster speeds may come eventually, there is no significant commercial benefit to be gained from them just yet. But there is a big advantage to be gained from building a 200-plus seater, which could revolutionise the economics of supersonic airliners.

The technical ability to design and build such an aircraft exists already in the aerospace industries of the U.S. and Europe, which are already working well beyond the frontiers of supersonic civil aviation in the fields of hypersonics for space ventures, like the U.S. Space Shuttle re-usable space transport system and the manned Spacelab that will go with it. In shape, a 200-seat AST would probably look very much like Concorde, with a larger, longer fuselage, and bigger delta-shaped wings.

The biggest problem would probably be in the development of the engines. Not only would these need to be larger and have more thrust than the existing Olympus 593s which power Concorde, but they would also need to be much quieter (so as to meet the increasingly stringent noise requirements likely in the 1990s and beyond). They would also have to be much more fuel-efficient, both because of rising fuel costs and the possibility of shortages around the turn of the century.

While it has been suggested that any second-generation supersonic airliner might use other types of fuel, such as liquid oxygen and hydrogen, the difficulties and expense involved in producing these in sufficient quantities, and of making them available commercially at airports round the world, would be so great that they are not likely to be employed in any AST.

The case for developing an AST, in fact, must depend on its practicability in technological and commercial terms. It is for this reason that when Mr. Gerald Kaufman, the Minister for Aerospace in the Department of Industry, meets M. Marcel Cavaillé, the French Transport Minister on November 2 in London, they will be discussing only the possibility of asking their technical and economic experts to produce a study of all the factors involved in an AST.

Such a study will probably take a year to complete for it will have to be exhaustive. On the technical side, it must weigh all the current capabilities of the U.K. and French aerospace industries, and probably those of any interested U.S. partners, such as McDonnell Douglas.

Experience

On the economic side, it will have to assess future air transport trends, aerospace manufacturing costs and airline and aircraft operating costs. In addition there are the sociological factors, chiefly noise and pollution. On the political side the study will have to consider questions like international collaboration, and how the cost burden and work-load would be divided between the partners.

There is, of course, an immense reservoir of technical and commercial experience upon which to draw, not only with Concorde itself, but with the other large international collaborative programmes now under way—for example, the Panavia Tornado Multi-Role Combat Aircraft—while virtually every big aerospace company in the world has built up a massive background of technical research knowledge from civil, military and space activities.

Not until all these factors have been analysed will it be possible for the experts to lay before the Ministers a blueprint for an AST that spells out its possibilities, its prospects, and the cost of undertaking it. There can be no question of any leap into the dark: the entire venture will have to be minutely prepared and costed before any political approvals can be given. Once any such paper study has been completed, perhaps some time towards the end of 1977, there will inevitably follow another long period of political deliberation, so that any final go-ahead—which is by no means certain—does not seem likely much before the end of 1978 or even sometime in 1979.

What is certain is that by then, the politicians will be able to see much more clearly what has been happening to Concorde. For by 1979 it will have been in service for three years and will have either proved itself beyond all possible doubt, or demonstrated that it is an economic and sociological disaster. It is that factor, more than any other, which will influence the final decision on the AST. Only if Concorde has by then settled in an acceptable and profitable niche in the world air transport system will anyone—makers, airlines, Governments and travelling public — feel inclined to embark upon the next step forward in supersonic civil aviation. And even then, the AST is not likely to appear on the world's air routes until some time in the early 1990s.

Letters to the Editor

Cures for inflation

From Mr. G. Bonnin.

Sir,—The official cure for inflation seems to be nowadays to increase investment. Investment is no doubt a good thing and might have a beneficial effect generally in one, three or four years. But for the time being, investment can only increase inflation.

The various cures for inflation remind me of the various cures for slimming. "Eat fat and grow slim" say some. Well, it is not impossible that in some circumstances some individuals might have grown slim that way, but as a rule those who eat fat grow even fatter.

One way to lose some unwanted financial fat is to increase taxation. I know that direct taxation in this country is at a fairly high level, but indirect taxation is in no way as high as it could or should be. Let me give a concrete example: why not put VAT at 33.3 per cent. on motor cars as the French do? What would be the result? More income for the Government, fewer British cars sold in this country, but more cars sold abroad and fewer foreign cars imported. Is it not just the sort of trend we would wish to encourage?

And from the point of view of the individual, it would have a salutary moral effect, because it would penalise the "spender" while so far the "earner" has been penalised.

G. Bonnin.
Thames Polytechnic,
Woolwich, S.E.18

One way to save the £

From Mr. Max Setterwall.

Sir,—So much has been written on how to save the pound, that I hesitate to draw your attention to an approach which has been very little discussed if at all.

I am thinking of the physical through-put time for goods, from the moment it arrives at a British port or is dug out of the ground to the moment it is consumed or re-exported or put to use in an investment project. Everyone would agree that this total through-put time is to-day unnecessarily long.

If it could be shortened by, say, ...r weeks and held there, the ...eficial effect on the currency ...rves would be of the same ...r as the IMF loan.

...achieve this, real action in ...al world is required, in... millions of people, from ... to shop-keepers, from ...ger boys to managers. ... the famous Spirit of ... be mobilised to this ...

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... water ... the sun

... A. R. Croucher.

...egrettably, it is Mr. ...October 28) who is ...he "misguided bleat... ...F. Chapple made the ...ical, factual remarks ...wholeheartedly sup... ...r. Silver chose to mis...ures.

...Silver's comments: ...om nature of solar ... U.K., unless the ...epared to go with... ...on overcast days, ...heating will be ...e extent that the ...icity maximum demand is likely to be little affected. Further, replacing off-peak electricity heating will have no effect on the maximum demand and reduce the kWhs produced by the most efficient power stations which predominantly burn low quality coal for which there is no other use and the mining of which is a significant feature in the country's economy. For Mr. Silver's information the maximum electricity demand occurs in winter, usually in December or January. The meeting of this demand is the planning criterion of the electricity supply industry.

Using a 3 kW immersion heater for 10 hours a day could allow 100 gallons of water to be heated through 100 degrees F (say 40 to 140 degrees F) which is either wasteful use of hot water or means that the system is very poorly insulated. Using off-peak electricity to heat a 50 gallon, polyurethane insulated tank provides all the hot water requirements for my family of five and costs £60 per annum at present prices. Coupled with Mr. Chapple's experience, I suggest that this proves that with a properly controlled and insulated system electricity is competitive with other means of heating water.

Conservation is concerned with (or should be) conserving and wisely using *all* resources. If Mr. Silver can show his potential customers that his installations are as reliable and are more economic over their lifetime than alternatives, and that those customers are aware of the alternatives and their implications, he is providing those customers and the community with a useful service. However, with his lack of knowledge of electricity generation, costs and utilisation economics, and with his "misguided series of figures," Mr. Silver does a dis-service to his company and it's products.

A. R. Croucher.
77, Downs Road,
Northfleet, Kent.

The magic is now over

From Mr. Stephen Osgood

Sir,—I read with interest Mr. Silver's letter (October 28).

As a practising architect I have on several occasions successfully persuaded clients for new buildings to have domestic hot water solar pre heaters incorporated into designs only to find at contract stage that specialists are unprepared to tender for the supply and installation, except on a strictly experimental and costly basis.

The myth and magic of solar heating is now over. It is time to be practical. Either systems are being marketed or they are not. So where are they all hiding?

Stephen Osgood.
Howell Killick Partridge and Amis.
20, Old Pye Street, S.W.1.

Basic energy costs

From Mr. Norman Jenkins

Sir,—It is inevitable that proponents of solar energy devices and, equally important for exactly similar reasons, heat pumps, cannot see the crucial importance of reducing simultaneous maximum demand on the electricity generating system. Mr. Silver (October 28) should withdraw it's reference to "utterly misguided bleatings" when these warnings are only too well considered and true. Dr. Lucas (October 26) is perfectly correct in all he says, although he could well have added heat pumps to solar heaters.

All these devices stop working at just the time when the load on the electricity system is highest. The need for short-term heating at low capital cost can then only be met by electricity. But it is just this kind of demand that calls for the building of more and more expensive nuclear plant for generating electricity that cannot be used at other times. And which at all times throws away twice as much heat as can be used for generating electricity. For every kilowatt used in the home and industry two more are thrown away at the power station, nuclear or otherwise.

Dr. Lucas made a point in favour of combined heat and power—the one technique that makes total energy out of any fuel. He could have gone on to say that extensive use of this technique would prevent the need for proliferation of nuclear generation and also such mistaken propaganda as that released to-day by the Friends of the Earth, who cry "Wolf" too often and offer little or nothing in its place.

The electricity and gas industries are just as partisan as Mr. Silver, just as determined to pursue individual interests irrespective of overall cost to the nation either in capital or fuel. Until we are given an Energy Council to determine policies, priorities and best directed capital investment we shall continue to create a divided — and disastrously unco-ordinated—energy consumption pattern.

Norman Jenkins.
Whitehill,
Ewshot, Farnham, Surrey.

Where credit is due

From the Chairman,
Institute of Credit Management.

Sir,—Your correspondent Mr. Watters is quite right when (October 26) he says that manufacturers have for years financed too much credit. Most of those manufacturers have however "seen the light" and for some time now have been taking steps to remedy the situation. The effects are now filtering down through the other supply echelons.

There is *nothing* altruistic about the normal 30 days from invoice date or "end of month" and it should not be regarded as other than the reasonable period of time necessary for the average company with an efficient administration to process the suppliers invoice through the system to settlement, that is to check receipt of goods, accuracy of delivery, obtain buying department approval to price and specification, post to the Purchase Ledger, balance the account and produce a cheque. Seven day discounts are an inducement to by-pass routine unless of course the creditor has a super efficient operation.

Thus thirty days credit is what industry normally needs for practical control purposes, thirty days and no more. To claim as many companies do that they "haven't processed the invoice" is to proclaim inefficiency and an inability to meet one's bargain—if that is so in the Purchase Ledger department, where else in the organisation?

Taken credit is anathema to credit managers and corporate treasurers in that it inhibits accurate cash forecasting and needs financing, surely the ethical thing to do is to buy at 30 days, use that time for internal control purposes and pay on due date. If liquidity inhibits that Utopia the buyer should negotiate with the supplier's credit manager for some temporary help (presupposing his long term financial condition so recommends) and be willing to pay for the facility he obtains in the same way he would from a bank.

W. V. Adams.
12, Queen Square, Brighton.

Built but not managed

From Miss F. M. Bettelheim.

Sir,—Your pages have featured many complaints by, and complaints about, the construction industry, with special reference to its labour force (for example, "Construction's Troubled Tale," October 22).

Having recently built a house, I do indeed agree that there are problems — but I see them differently. We had some lazy, incompetent labour, but most of the labour was good or even quite first class. Management, however, was almost uniformly abysmal.

Foresight, planning, organisation and leadership qualities were conspicuously lacking. Take work scheduling: there were constant minor crises as men arrived to find no materials, the wrong materials, insufficient materials, defective or unsuitable equipment; as items were brought to the site, taking up valuable space, without the men to handle them; as the resources for the task-after-next turned up to find the vital link missing. Not only did this slow down operations; it had a deplorable effect on the morale of the men. So also did the arrogant assumption of authority by superiors who were not prepared to recognise the limits of their own expertise, particularly in the trades. Considering the publicity given to man-management techniques, the mishandling of the labour force was staggering: those in charge proved themselves unable to give clear instructions, to make the most of the ability and experience at their disposal, to provide help and encouragement where needed, to judge performance, to act swiftly and decisively when someone failed to come up to standard.

Lest it be thought that I retained exceptionally inept supervisors they were all people with many years in construction and of good reputation and at the top there was all the polished professionalism one could hope for. They just did not know how to manage.

F. M. Bettelheim.
9, Lynne Walk, Esher, Surrey.

Methods of accounting

From Professor D. R. Myddelton.

Sir,—Michael Lafferty (October 13) is not entitled to say "the accountants' own current purchasing power system was broadly rejected by most companies in 1973-74."

In September 1973 the CBI agreed that the ED8 proposals should be adopted by all quoted companies and by all corporations in the public sector.

The Sandilands Committee sent a questionnaire to a representative sample of companies, and reported: "Two thirds of the (115) respondents in the corporate sectors consider the techniques proposed in ED8 are preferable to any alternative method of inflation accounting." In particular, 71 per cent. of quoted companies responding, and 86 per cent. of smaller companies, said the CPP statement would be useful for determining "real" return on capital.

The Sandilands Report concluded: "The general tenor is that a favourable climate exists for the ASSC's recommendations . . ."

The fact is that although no one method of accounting for inflation has been unanimously endorsed, the CPP method was accepted in principle by most companies more than two years ago. Does Michael Lafferty deny it?

D. R. Myddelton,
Cranfield School of Management,
Cranfield, Bedford.

Increases in food prices

From Mr. M. Buckland.

Sir,—In your edition of October 20 you quoted Mr. Pierre Lardinois as stating that the green pound was 37 per cent. above other EEC rates and that devaluation of this is one stroke would add 28 per cent. to many food prices. I think these figures are wrong. I calculate that the real pound is some 27 per cent. below the green pound and devaluation to this extent would cause an increase in prices of 38 per cent.

Given that the basic CAP (Common Agricultural Policy) prices are liable to increase by the usual 8 per cent. next summer: that next year will see the last two major transitional steps towards full CAP prices and that some devaluation of the green pound will take place before the end of next year, it seems more than likely that the CAP prices applying in the U.K. will have doubled in the last two years of the transitional period up to December, 1977. Thereafter there will continue to be enormous increases in food prices with the usual increases annually in the basic CAP prices plus further steps towards the full devaluation of the green pound.

M. J. Buckland.
Racedale,
Manuden,
Nr. Bishop's Stortford, Herts.

Profit-sharing incentives

From Mr. W. Grey.

Sir,—Geoffrey Owen, in Lombard "The Tories and industry" (October 8), described their idea of tax relief to encourage voluntary employee profit-sharing schemes—itself a notable U-turn from previous Tory practice—as "not a panacea for all industrial relations ills . . ." But then who would ever lay claim to such a panacea in the first place?

Surely any contribution towards remedying those ills is valuable at the best of times. Surely, too, few are calculated to promote that great united effort for which Ministers have called in our hour of need more effectively, and would do so at less real cost to the Exchequer and with more lasting benefit to the rest of us. And if it is judged at the present time that part of that benefit must be deferred, albeit at the expense of some loss of immediate incentive, then again such schemes provide a ready-made instrument for the purpose.

Given the added advantage of a near-automatic incomes policy within a framework of free collective bargaining and of proper rewards for unstinted effort, Mr. Owen's suggestion that "at least the tax structure should facilitate the introduction of these schemes, not discourage them," is surely the very least the situation demands.

W. Grey
12, Arden Road,
Finchley, N3.

To-day's Events

GENERAL

Mr. Roy Mason, Northern Ireland Secretary, attends security review meeting, Stormont.

Mrs. Shirley Williams, Education Secretary, addresses Walsall North by-election meeting.

Mr. Edward Heath M.P. speaks in support of Conservative candidate in Walsall North by-election campaign.

CBI Employment Policy Committee meets.

Fares on U.K. internal air routes rise by between 4½ per cent. and 12½ per cent.

Sir Arthur Hawkins, chairman, Central Electricity Generating Board, is guest speaker at Coal Industry Society lunch, Hyde Park Hotel, S.W.1.

British Paper and Board Industry Federation trade mission to Australia and New Zealand arrives in Adelaide.

Lord Mayor of London attends Age Action Year project prize-giving, Mansion House.

Exhibition of Turkish and Egyptian stamps opens, Gibbons Gallery, Strand, W.C.2, 9.30 a.m. (until November 30.).

PARLIAMENTARY BUSINESS

House of Commons: Appointment of Select Committee to investigate allegations against MPs. Development of Rural Wales Bill, remaining stages. Possible debate on Welsh affairs.

House of Lords: Cromarty Harbour Order Confirmation Bill, and Aircraft and Shipbuilding Industries Bill, report stages. Supplementary Benefits Bill, third reading. Insolvency Bill, consideration of Commons amendments.

COMPANY RESULT

Golden Hope Plantations (full year).

COMPANY MEETINGS

See Week's Financial Diary on page 11.

SPORT

Tennis: Dewar Cup, Sobell Sports Centre, Hornsey Road, N.7. Ice Skating: Richmond Trophy, Richmond.

COMPANY NEWS + COMMENT

Satisfactory start for Lake & Elliot

THE UPLIFT in activity in the engineering industry forecast to take place in the second half of 1976 has not yet reached the markets of Lake and Elliot, but a satisfactory start has been made to the new year, says the chairman, Mr. Peter Lake.

Although the year to July 31, 1976, was not an easy one the group continued to develop. As reported on October 2 pre-tax profit increased from £1.56m. to £2.03m.

In the last quarter the order intake declined somewhat in line with general trends and total output, and export sales in particular were adversely affected by the strike at Cockburns. Nonetheless, exports increased from £2.49m. to £3.19m.

Cockburns is now starting to operate satisfactorily in spite of the decline in the shipbuilding industry, but is not expected to make a positive contribution to results until after the next interim stage, says Mr. Lake.

An analysis of turnover (£18.29m. against £15.80m.) and profit, in percentages, shows engineering 63 (67) and 25 (42) and foundry 37 (33) and 75 (58). Exports were derived as to (£000s omitted) Europe £1,284 (£897); America £761 (£581); Africa £174 (£101); Asia £211 (£557); Middle East £742 (£326); Australasia £18 (£30).

The 1976 rights issue virtually eliminated U.K. interest charges in the second half year, and in the long term provides a springboard for group expansion, says Mr. Lake.

Developing plans amounting to £4m. are now under consideration for the next four years, mostly for expenditure in the foundry companies.

Following reorganisation in two main divisions—steel and valve—sales forces have been strengthened and have achieved further penetration at home and overseas.

Meeting, Churchill Hotel, London, W., November 26, noon.

● comment

Yielding 13.2 per cent. and with a P/E of only 3.8, Lake and Elliot's share price is still firmly locked into the engineering sector at 40p, though it did rise 4p on Friday. At this level the price is taking account of slack demand in the engineering industry and the fact that Cockburns is not making a positive contribution. But there are bright spots to the accounts, namely the wiping out of the net overdraft position following the rights issue, the improving export position and the fact that foundries now account for three-quarters of the pre-tax profit. With ample dividend cover, it would not take much to lift the share price, given any recovery in the engineering activities.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims:— Aberdeen Investments, Avana.

Finals:— Bryocourt Investments, Control Securities, Golden Hope Plantations, Medminster.

FUTURE DATES

Interims:—	
Anderson Rubber	Nov. 8
Bank of Ireland	Nov. 23
Beecham	Nov. 18
Coats Patons	Nov. 11
Goldrung	Nov. 4
Hill Samuel	Nov. 18
Leech (William) Builders	Nov. 11
Readicut International	Nov. 10
Scottish Heritable Trust	Nov. 4
United Engineering Industries	Nov. 4
Warwick Engineering	Nov. 3
Finals:—	
Hensher (Furniture Trades)	Nov. 3
M.Y. Dart	Nov. 5

Scottish Ontario interim up

First half (to September 30, 1976) earnings per 25p share of Scottish Ontario Investment Company increased from 1.38p to 1.78p, the interim dividend is stepped up from 0.6p to 1p net, and the directors hope to maintain the final at 2.75p.

Revenue advanced from £336,055 to £429,216, subject to tax of £174,460 (£137,847). Pre-tax revenue for the year to March 31, 1976, was £749,172.

Net asset value per share, after deducting prior charges at par, was 147p (126p).

Big losses on Floreat investments

IN THEIR report on Floreat Investment, the investment trust company, the directors explain that in March 1976 they became concerned at the investment policy of the company under the direction of Mr. Tony Buckley, who left the Board in May.

The auditors were then instructed to prepare a report and the Floreat Board has made investigations into possible claims which the company might have in respect of losses arising on certain investments in and deposits with a group of unlisted companies and the manner in which the company's affairs were conducted.

"Considerable losses have been sustained on certain of these investments which have been provided for in the accounts." The directors say they would be prepared to support a Department of Trade investigation into IGHIT, one of Mr. Buckley's companies, which Lamont Holdings has requested.

Net assets per share fell from 35.61p to 24.56p in the year to June 30, 1976 despite a £¼m. issue of shares to Mr. Buckley and Middlemark in October 1975.

Floreat's auditors, Arthur Young McClelland Moores, are unable to form an opinion of whether the carrying value of certain unquoted investments is fairly stated at £167,119, because full information is not presently available.

The directors note that a claim has been made against the company in respect of an alleged agreement by Floreat to purchase a further 25,000 shares in the unquoted Cabo Investments for £50,630, which they are advised should be resisted although full provision has been made.

They also note that, having made substantial deposits with Guernsey Finance Group, they have information that GFG made loans to Mr. Buckley.

Dawnay Day Group is shown as holding a 26.1 per cent. stake in the company. The directors believe that Bushgolds, a nominee company which is registered as the holder of 34.8 per cent. of the capital, includes in its holding the 500,000 shares subscribed by Mr. Buckley and 300,000 shares subscribed by Middlemark.

Construction Holdings progress

After a rise from £47,334 to £77,604 at halfway, pre-tax profit of Construction Holdings for the year ended June 30, 1976, has advanced from £109,983 to £167,517. This includes a surplus on realisation of investments of £30,750 against a loss of £1,349.

Stated earnings are 10.5p per 20p share against 7.6p, and the dividend is stepped up from 5.2p to 5.72p net per share.

Tax for the year was £68,049 (£37,889), and retained profit £45,128 (£22,634).

Genl. Accident freight policy

A new Freight Operators' Liability policy has been launched by General Accident, designed primarily for road haulage contractors, CMR hauliers, freight forwarders and those engaged in subsidiary activities.

The policy combines in one contract many of the risks, previously written on separate policies, of liability for loss or damage to goods in international transit.

Indemnity is provided in accordance with the standard conditions of trading, carriage or contract of the appropriate Trade Association or other conditions approved by GA. Cover applies throughout the policyholder's responsibility for goods, not only while they are in transit, providing that the "in transit" element represents the principal part of the risk. (The new policy is not intended to insure purely static or storage risks as such.)

Liability at Common Law, where the conditions used by the policyholder are not upheld in the courts, may be covered up to the full limit of the policy. Contingent liability for goods in sub-contractors' custody or control is also included.

Finance and Industrial prospects

AT THE annual meeting of Finance and Industrial Trust, chairman Sir Graham Rowlandson said he hoped that by the end of the current year the progress of the group would be reflected in increased profits.

In the year ended July 31, 1976, profit before tax came to £92,278, compared with £83,190 in the previous period. All activities recorded better figures.

Sir Graham stressed that the extremely high interest rates in no way helped expansion, but certain proportion of funds would be yielding higher returns.

Satisfactory yields on commercial properties were difficult to obtain when considering further investments and while increases in rents were now being arranged on most properties, it was unlikely that conditions over the next 12 months would provide the opportunity for further purchases of suitable investments to be easily arranged.

The sale of completed houses would suffer further delays with the higher mortgage rate. While that was unlikely to have an immediate effect on the subsidiary, Harmer Advances, it was already apparent that builders and developers were finding it very difficult to meet the increased interest charges and at the same time purchase sites for future development.

B. & I. Nathan first half expansion

Turnover of furniture manufacturers B. & I. Nathan for the 28 weeks to July 9, 1976, increased from £1.45m. to £2.37m., and profit advanced from £71,000 to £82,000, subject to tax of £42,640 against £36,920. Retained profit was up from £15,391 to £20,871.

Interim dividend is maintained at 1p net per 25p share. Last year's total was 2.735p from profits of £226,301.

The chairman states that the new factory continued to incur costs into the third quarter but is now contributing to profits as forecast. The order book remains satisfactory in relation to present level of production.

Mr. Alex Bennett, chairman of Whitbread and Company, who will announce to-morrow the group's first-half results.

BIDS AND DEALS

Charterhouse sells stake in Atlantic Interml.

Charterhouse Japhet, the merchant banking arm of the Charterhouse Group, has sold its 16½ stake in Atlantic International, the consortium bank, to another shareholder Manufacturers National Bank of Detroit.

Following this deal, MNBD will hold 41½ per cent. of the bank, leaving Shawmut Bank of Boston with 25 per cent. and Banco di Napoli and F. van Lanschot Bankiers each with 16½ per cent.

Atlantic International was formed in 1969 with the aim of granting medium term Euro-currency loans, specialising of late in Central and South America which accounted for just over a third of the bank's loan portfolio last year.

At June 30, 1976, the bank had issued share and loan capital of £6.9m. of which £3.3m. was in the form of subordinated U.S. dollar debentures. Assets amounted to £93.7m. and pre-tax profits were £546,856.

Mr. John T. Cannis, vice-president and European Representative of MNBD succeeds Mr. Clive Sanders as managing director and chief executive. Mr. Sanders remains an executive director of the bank.

Charterhouse also announces that its subsidiary Charterhouse Development has acquired for Frs.2m. (£230,000) a minority stake in Ollier SA, a distributor of shopfitting equipment and shopfitting contractor based in Lyon, France.

Ollier is the largest company in this field outside Paris with a current turnover of over £3m. annually and recent contracts include the Concorde Lounge in the new Charles de Gaulle Airport in Paris and the fittings at Lyon's new Satolas Airport.

See Lex

ROYCO/LAMPA

The chances of a successful offer by Royco, through its subsidiary QST Industrial Trust, for LAMPA SECURITIES seem to be receding.

In a letter to shareholders, the Lampa Board says, together with its families, it now owns 27.5 per cent. of Lampa's equity and does not intend to accept the 125p a share offer.

In addition, the Board has been approached by certain other shareholders who have indicated that "they have no intention of accepting the QST offer." Altogether shareholders representing more than 50 per cent. of the equity have "clearly indicated that they find the offer to be inadequate and unacceptable."

The Lampa Board does not detail its supporting shareholders, but Walbrook Trust, a subsidiary of New Bridge Holdings, holds about 17 per cent. and is said to be unimpressed by the terms.

Lampa's shares ended the week at 123p. Acceptance day is Thursday.

ISSUE NEWS

W. Alexander OTC dealings

Dealings in Walter Alexander's Ordinary shares are due to begin to-day on the over-the-counter market made by M. J. H. Nightingale.

Walter Alexander is a holding company with subsidiaries in coachbuilding, engineering and fuel distribution. In the year to March 31, 1976, the group made a pre-tax profit of £1.23m. on sales of £20.4m.

Since last March each £1 share has been subdivided into ten Ordinary 10p shares and a capitalisation issue of ten new 10p shares for every £1 share has been made. As a result there are now 6,316,480 shares of 10p in issue.

Initially 5 per cent. of the capital will be made available on the over-the-counter market, and it is intended to make a further 5 per cent. available during the first year of trading.

There are now eight companies traded on Nightingale's market and a further one is due to join this month.

SCOTTISH INV. TRUST

Various debenture and preferred stocks of Scottish Investment Trust Company have been granted a quotation. The stocks are issued to holders of the Second Scottish Investment Trust Company under a scheme of arrangement and amalgamation which becomes operative to-day.

AB Electronics better orders

OVERALL ORDER intake of A. B. Electronic Components has improved and customers' current requirements are greater than for some time, but this is not a position which can be relied upon to persist in the present economic environment.

This is stated in the review for the year to June 30, 1976, of the chairman, Lord Brecon, died recently, but because at the time of his death the printing of the report and accounts had already commenced, it was decided to release them virtually without amendment.

The chairman's statement adds product diversification continues and regular deliveries of components are now being made to industries not previously served. This policy, which has been pursued for several years, has assumed increasing importance due to the escalation of imports of equipment.

Foreign penetration of the home equipment market is viewed with concern. There are signs, however, that those British equipment manufacturers who ha[...] previously relied on compon[...] supplies from abroad now g[...] better support to the U.K. co[...]ponents industry.

The directors believe that [in] due course there will be a wor[th]while contribution to gr[oup] profits from Kenura Devel[op]ments, acquired early in 1976. [In] addition, the acquisition [is] expected to lead to progress [in] certain high technology areas which the group wishes [to] develop.

As reported on September [...] turnover for the past year [was] £12.46m. (£11.16m.) and pre[-tax] profit £0.57m. (£0.38m.).

Sales outside the U.K. amoun[ted] to £3.95m. (£4.23m.) compri[sing] EEC countries 77 per cent. [and] elsewhere 23 per cent. Exp[orts] from the U.K. were £3.[...] (£2.61m.).

In order to take advantag[e of] opportunities it is proposed [to] increase the authorised ca[pital] from £1m. to £1.5m.

Meeting Cardiff, November 2[...], 11.45 a.m.

هكذا من الأصل

Pending dividends timetable

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent. shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements

	Date	Announcement last year
Acrew	Nov. 10	Int. 12.3%
Airfix	Nov. 27	Int. 8.5% §
Akroyd and Smithers	Nov. 25	Final 38.5%
Allen (Edgar) Balfour	Nov. 25	Int. 7.4%
*Allied Irish Bk.	Nov. 24	Int. 9½%
Armitage Shanks	Dec. 3	Int. 12%
Assoc. British Foods	Nov. 17	Int. 18.3%
Associated Newspapers	Nov. 25	Int. 9.1%
A. & N. Zealand Banking	Dec. 2	Final 7.7
*Bk. of Ireland	Nov. 23	Int. 6%
Bass Charrington	Dec. 4	Final 15.9%
Beaverbrook Newspapers	Nov. 7	Final 10%
*Beecham	Nov. 18	Int. 16.1%
*Boots	Nov. 11	Int. 5.4%
British and Commonwlth.	Nov. 15	Int. 19.6%
Brockhouse	Nov. [illegible]	Final 10.4%
*Brooke Bond Liebig	Nov. 2	Final 9.85%
Charter Cons.	Nov. 19	Int. 15.4%
*Chloride	Nov. 11	Int. 3.9%
*Coats Patons	Nov. 11	Int. 5.8%
*Courtaulds	Nov. 16	Int. 12%
Daily Mail and General Tst.	Dec. 3	Int. 11%
Davis (G.)	Nov. 17	Int. 4.3%
*Dawnay Day	Nov. 3	Final 3.1%
Dawson Intnl.	Nov. 26	Int. 6.5%
*De La Rue	Nov. 9	Int. 6.5%
Elliott (B.)	Dec. 8	Int. 11%
Fairey	Nov. 26	Int. 6.8%
Golden Hope Plants.	Oct. 27	Final 23.87%
Granada	Nov. 25	Final 6.6%
Gt. Universal Stores	Dec. 4	Int. 18.1%
Hambros	Nov. 25	Int. 15.8%
Head Wrightson	Nov. 11	Int. 6%
*Hill Samuel	Nov. 10	Int. 8.4%
*Hoveringham	Nov. 8	Int. 2.8%
Johnson Matthey	Nov. 26	Int. 7.7%
*Land Secs.	Nov. 19	Int. 4.6%
Lister	Nov. 7	Final 9.6%
*Lloyd (F. H.)	Nov. 17	Int. 8.2%
London and Northern	Nov. 13	Int. 7.7%
*Lucas Industries	Nov. 8	Final 6%
Lyons (J.)	Dec. 3	Int. 3.1%
*Mallinson (Wm.)	Nov. 3	Int. 4.3%
Marchwiel	Nov. 20	Int. 5%
*Metal Box	Nov. 18	Int. 8.1%
Minster Assets	Nov. 11	Int. 9.2%
Mitchell Cotts	Dec. 4	Final 14%
National and Commercial	Nov. 27	Final 6.7%
Pilkington Bros.	Dec. 4	Int. 6.7%
Proprietors of Hays Wharf	Nov. 27	Final 4.8%
*Rand Selection	Nov. 18	Final 80%
Ranks Hovis	Dec. 3	Final 8.5%
*Reed International	Nov. 3	Int. 9.16%
Renold	Nov. 20	Int. 3.5%
Rexmore	Nov. 18	Int. 6.3%
*600 Group	Nov. 25	Int. 9.2%
Sainsbury (J.)	Nov. 13	Int. 19.1%
Stand. Chrtrd. Bank.	Dec. 2	Int. 10.4%
Scottish and Univsl. Invs.	Nov. 26	Int. 12.4%
Selection Tst.	Nov. 29	Int. 30.8%
Sketchley	Nov. 24	Int. 6.8%
*Smith (W. H.)	Nov. 11	Int. 4.3%
Smiths Industries	Nov. 11	Final 10.8%
Swan Hunter	Dec. 2	Int. 4.6%
Tesco	Nov. 26	Int. 17.7%
Tunnel	Nov. 27	Int. 8.3%
Unilever	Nov. 11	Int. 32.2%
Unilever NV	Nov. 11	Int. 14.6%
*Whitbread	Nov. 5	Int. 5.7%
*Wolseley-Hughes	Nov. 12	Final 13.9%

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

Public Works Loan Board rates

* Non-quota loans B are 1 per cent. higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Equal repayments.

Effective from October 30, 1976.

Years	Quota loans repaid by EIP†	by ER‡	at maturity	Non-quota loans A* repaid by EIP†	by ER‡	at maturity
Up to 5	15½	15½	15½	15½	15½	16
Over 5, up to 10	15¾	15¾	16	16	16¼	16¼
Over 10, up to 15	15¾	16¼	16¼	16¼	16½	16¾
Over 15, up to 25	16¼	16¼	16½	16½	16¾	16¾
Over 25	16¼	16¾	16¾	16¾	17	17

London tea sales

At the tea sales held in London last week 47,314 packages sold realised an average price of 104.37p per kilo compared with 104.78p at the previous sales and against 80.13p a year ago. Plain tea was quoted at 82p.

	No. of kilos	Average per kilo
African Highland Prod.	49,334	118½p
Amgoorie	8,923	114½p
Assam Co.	24,718	126p
Assam Dooars	3,932	89½p
Assam Frontier	123,809	114p
Attaree Khat	19,091	120½p
Blantyre	46,620	84p
Borelli	31,355	117½p
Chulsa	24,867	96p
Dekhari	25,873	122½p
Doom Dooma	83,817	113½p
Eastern Assam	30,266	119p
Imperial	66,161	115p
Janatha	492,345	88p
Jokai	16,814	117p
Jorehaut	1,794	120p
Kenya T. Co.	40,289	133½p
Kenya T. Dev.	47,000	131p
Moran	33,563	118p
Pabbojan	33,753	122p
Roo Estates	43,195	88½p
Singlo	27,984	117½p
Thanai	32,001	113½p
Thyolo	30,196	85½p
Tinderet	13,467	118p
Upper Assam	33,863	122p

Stocks at October 22 amounted to 51,165 metric tons, compared with 58,262 metric tons a year ago. Converted at 49,305 kilos per package.

RECENT ISSUES

EQUITIES

Issue Price p***	Amount Paid Up	Latest Renunc. Date	1976 High	1976 Low	Stock	Closing Price p***	+ or −	Div. Amount	Times covered	Gross Yield	P/E Ratio
—	F.P.	—	£101½	£50	AmricnMedInt.Inc($1)	965	+15	Q34c	—	1.4	—
—	F.P.	—	£29	£21¾	Berry Pacific Fd. US$1	£27½	−¼	40c	—	0.7	—
90p	F.P.	17/9	70	56	Borthwick (Thos.) 50p	58	+1	4.5	2.0	14.9	5.1
—	F.P.	—	£30¼	£26¼	Dentsply Int. Inc. ($1)	£27¾	+¼	—	—	—	—
—	F.P.	—	£31⅞	£25½	Esmark $US1	£26	−⅜	Q$1.32	—	5.1	—
[illegible]	F.P.	—	135	96	Thirs S.A. ...	150	......				

FIXED INTEREST STOCKS

Issue Price	Amount Paid up	Latest Renunc. Date	1976 High	1976 Low	Stock	Closing Price	+ or −
398.8	F.P.	29/10	97½	97	Eastbourne Waterworks 9% Red. Pref. '85	97	......
US$93	F.P.	—	$91½	$85½	Gotaverken 9½% Notes 1985	$99½	+½
DM100	F.P.	—	LF9¼	LF9⅛	Ind. Fund of Finland 9% Guar. Notes '84	LF9¼	......
US$100	F.P.	—	$100	$99	Kockums Mek 8% Guar. Notes 1983	$99	−1
KD98½	F.P.	—	98KD	98KD	Korea Development Bk 8½% Guar. Bonds 1979	98KD	......
[illegible]	£10	4/3	11½	10½	Mid-Sussex Water 8% Red. Pref. 1981	10½	......
£97	F.P.	16/10	98¾	97	Mid-Sussex Water 14½% Red. Deb. 1982	98½	......
—	F.P.	28/1	105½	98½	Tate & Lyle 15% 1994-99	100½	+1½
£84.10	Nil	—	2	1	Trs-NtlCoalCp-Do-13½%Pty.Cv.UnDb1987/91	1pm	......
£99	F.P.	19/11	98¾	95	[illegible] Water 11% Red. Deb. 1984	98½	+½

"RIGHTS" OFFERS

Issue Price p***	Amount Paid up	Latest Renunc. Dates		1976 High	1976 Low	Stock	Closing Price p***	+ or −
10	F.P.	15/10	5/11	41½	26	Armstrong Equipment	33	+1½
$A5.50	Nil	6/11	—	191	112	Bank N.S. Wales	125	+5
110	F.P.	15/10	12/11	138	112	Black & Edgington	112	−1
10	F.P.	27/9	12/11	11	6	Bonas Webb	8½	......
$A4	Nil	—	3/12	350	290	Broken Hill Props	305	−10
60	F.P.	24/10	12/11	66	51	Brown Matthews	55	+4
27	F.P.	24/9	5/11	[illegible]	[illegible]	Buckleys Brew	30	......
$A1.75	F.P.	19/10	12/11	280	191	Comm. Bk. Aust.	260	......
$1.45	Nil	—	12/11	9½	2	Deelkraal Gold Mining	4pm	−1
20	F.P.	24/10	1/12	31	26	Fairbairn Lawson	27	+1
129	F.P.	1/11	17/11	127	119	General Accident	119	−5
100	F.P.	29/10	10/12	115	101	Howden Alexander	102	+1
40	F.P.	3/10	12/11	61	47	Lonrho	53	+4
$A1.75	Nil	3/12	17/12	65	42	National Bank of Australasia	55pm	......
20	F.P.	1/10	2/11	30	22	P.M.A.	24	......
20	Nil	6/10	12/11	65¼	5	Shakespeare (J.)	25pm	......
60c	Nil	5/11	—	10	5	S. A. Land & Exp.	5pm	−4
150c	Nil	—	—	7	6	Trans-Natal Coal	6pm	+1
$A1.20	F.P.	18/6	—	141	45	Western Mining	107	−1
70c	P.Pd	—	—	44	41	Woodside-Burmah	36	−4

Renunciation date usually last day for dealing free of stamp duty. a Placing price to public. b Figures based on prospectus estimate. d Dividend rate paid or payable on part capital, cover based on dividend on full capital. p*** Pence unless otherwise indicated. u Forecast dividend, cover based on previous year's earnings. M Figures based on prospectus or other official estimate for 1976. Q Gross. r Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividends. ** Issued by tender. ‡ Offered to holders of Ordinary shares as a "rights". ♥ 290 S Afr. cents. ‡ Rights by way of capitalisation. †† Tender allotment price. ◆ Reintroduced. ‡‡ Issued in connection with reorganisation, merger or take-over. ♣ Introduction. ♠ Issued to former Preference holders. ‡ Allotment letters (or fully-paid). ‡ Provisional or partly-paid allotment letters. § With warrants. Φ After suspension. KD Kuwait Dinar.

INTERNATIONAL COMPANY NEWS

Lesieur back in the black

BY ROBERT MAUTHNER PARIS, Oct. 31.

THE TROUBLED French edible oils and fats group, Lesieur, is back in the black following several years of heavy financial losses, compounded by one of the longest boardroom struggles in France since the second world war.

Compagnie Financière Lesieur (CFL) has reported a net profit of nearly Frs.27m. (about £3.4m. at current exchange rates) for the 1975-76 financial year, which the Board has decided to carry forward to the next account, thus reducing the debit side to Frs.34m.

Operating profits, in the absence of dividends paid by Lesieur's main operating subsidiary, Lesieur-Cotelle and Lesieur-Sodeva, amounted to Frs.2.6m.

For the first time in two years, Lesier has decided to distribute a Frs.4 per share dividend with a Frs.2 tax credit. The last time it paid a dividend was in 1973-1974, when Frs.7.35 net per share was distributed.

It appears, therefore, that the benefits of the major cost-cutting programme introduced in late 1975 are already beginning to make themselves felt.

Though Lesieur-Cotelle's sales of edible oils and fats for the first eight months of this year dropped to just over Frs.1bn. compared with Frs.1.3bn. for the corresponding period of 1975, turnover on the cleaning products side improved to Frs.262m. from Frs.224m. Moreover, the figures for food products, the sales of which went up in volume, are deceptive because the fall in raw material prices since the beginning of the summer masked the real improvement.

As a result, Lesier-Cotelle's profits for 1976 are expected to be considerably in excess of the pre-tax Frs.33m. reported for the first half of this year, which compares with losses of as much as Frs.127m. over 1974 and 1975.

The turnaround should help to take some of the pressure off the Lesieur family and its Banexi Bank partners in their boardroom battle against Compagnie de Navigation Mixte (CNM) which, with its ally Unipol, a fast-growing foods and financial group, now holds some 43 per cent. of Lesieur's capital.

CNM last year showed its strength when it forced Lesieur to abandon plans for a takeover of the Spanish oils company, Salgado. Since then, there have been periodical rumours about bids for Banexi's 25 per cent. stake in Lesieur, involving notably the French food and glass group, BSN-Gervais Danone, and the farmers' bank, Credit Agricole, which have all failed to materialise.

Bofors in decline

BY WILLIAM DULLFORCE STOCKHOLM, October 31.

AN EIGHT-MONTH interim report from Bofors, the Swedish armaments, steel and chemicals concern, repeats the management's earlier forecast of a decline in 1976 earnings. Sales are expected to rise by some 10 per cent. to Kr.1.9bn. (£275m.) but the profit after depreciation and net financial charges will fall from last year's Kr.138.6m. to around Kr.80m. (£11.5m.).

When state stock support grants and extraordinary income are included, the final pre-tax earnings should work out at about Kr.110m. compared with Kr.142.1m. for 1975. The deterioration, due mainly to swiftly rising Swedish payroll and other costs, was anticipated in the final report for 1975.

During the first eight months of this year turnover rose by 11 per cent. to Kr.1.15bn. compared with the corresponding period last year. The operating profit was lower, as expected, but there was an improvement in net financial charges.

New orders received during the period amounted to Kr.1.4bn., bringing the total order stock to just under Kr.4bn. against Kr.3.4bn. at the beginning of the year.

Capital investments during the period totalled Kr.89m. compared with Kr.60m. for the corresponding period in 1975. In June Bofors acquired the total capital stock of a U.S. electronics company, BBF Group Inc. of Boston.

SBC expects good 1976

By John Wicks ZURICH, Oct. 31.

THE SWISS BANK Corporation, of Basle, anticipates satisfactory results for the current year and a dividend of the same order as in the past, despite an increase in share capital.

As of September 30, 1976, total assets of the Swiss Bank Corporation amounted to Sw.Fr. 51.54bn., as compared with Sw.Frs.49.88bn. at the end of last year.

As part of its foreign expansion programme, the bank announces that it will open a branch in Bahrain as an offshore banking unit at the end of this year.

Money and Exchanges

Bank of England Minimum Lending Rate 15 per cent (since October 7, 1976)

Sterling fell 6.25 cents on the week to close at $1.5850-1.5870 in terms of the U.S. dollar.

Bank of England Minimum Lending Rate was unchanged at 15 per cent. following the weekly Treasury bill tender. The average rate of discount at the tender rose by 0.0171 per cent. to 14.4337 per cent.

These bare facts tend to hide the confused and agitated state of the foreign exchange market and London money market over almost the entire week however. It was a week almost unprecedented for the number of rumours in circulation. All of them may prove to be unfounded, but markets were so nervous that almost any suggestion was given an importance which would not be the case in more normal conditions.

On Monday the pound fell 5.35 cents against the dollar to $1.5940-$1.5960 on a Press report that sterling will fall to $1.50 as part of the International Monetary Fund conditions for a loan for Britain. At one point during the day the pound was over 7 cents below its closing level of the previous Friday. Comments from a Labour MP that an exchange rate of $1.50 would be good for British exports helped bring about a further fall to $1.5890-1.5910 on Tuesday.

Earlier in the day sterling was helped by a suggestion in the Washington Post that IMF terms for Britain's loan will include a rise to 18 per cent. in Minimum Lending Rate. At the same time this rumour created hectic conditions in the London money market and interest rates were marked up accordingly.

The full implications of a possible 3 per cent. rise in Minimum Lending Rate hit the money market hardest on Wednesday, however, and conditions on that day led to very restricted business except on a day-to-day basis. Interest rates for periods from one-month upwards closed at a nominal 16-16¼ per cent., while discount houses buying rates for three-months Treasury bills indicated a possible rise of about ½ per cent. in Minimum Lending Rate.

Also on Wednesday the Treasury was forced to issue a statement denying that the Chancellor of the Exchequer had resigned, while the Labour Party National Executive resolution opposing public sector spending cuts pushed sterling down to a new low of $1.5750-1.5775

Sterling touched a worst ever level of $1.5500-1.5550 in early dealings on Thursday, following selling of the pound in Far East markets. At the close the pound was quoted at $1.5690-1.5710, a fall of 83¼ points on the day, but conditions in the money market were rather better following indications that the authorities intended to maintain Minimum Lending Rate at 15 per cent.

Interest rates eased on Thursday afternoon and remained easier on Friday. The pound recovered well on Friday morning after reports that the U.K. was seeking a further large loan to fund the sterling balances held by oil exporters and other countries.

The pound touched a best level of $1.6125-1.6140, but eased later in the day.

Its trade-weighted depreciation since the Washington Currency Agreement, as calculated by the Bank of England, widened to 48 per cent. from 48.3 per cent., after touching an all time low of 48.8 per cent. at the close on Thursday.

The dollar's depreciation, as calculated by Morgan Guaranty narrowed to 2.39 per cent. from 2.40 per cent., but the stronger European currencies gained ground against the dollar following sterling's weakness and indications of lower U.S. interest rates. Foreign exchange restrictions succeeded in preventing a further sharp fall by the Italian lira, but the French franc required some support by the French authorities.

Gold gained $8½ to $123½-124¼ following the success of the IMF gold auction.

Oct. 29 1976	Sterling Certificate of deposit	Interbank	Local Authority deposits*	Local Auth. negotiable bonds	Finance House deposit	Company deposits	Discount market deposits	Treasury bills ◆	Bank Bills ◆	Fine Trade Bills ◆
Overnight	—	13-14⅞	—	—	—	14½	13-14¼	—	—	—
2 days notice	—	—	14⅞	—	—	—	—	—	—	—
7 days or 7 days notice	—	14¼-15⅛	15	—	15-16	—	14¼-14⅛	—	—	—
One month	15¼-16	15⅛-15¾	15¼-15¾	15¼-16	15½-16	—	14⅛-14¾	14⅛	15⅛-16	15¾-15¼
Two months	15¼-16	15⅛-15⅞	[illegible]	15½-16	15½-16	—	[illegible]	14⅛	14⅛-14⅞	15¾-15⅜
Three months	15⅛-15⅞	15⅛-15⅞	15¼	15⅛-16	15½-16	—	14⅜	14⅛-14⅞	14⅛-14⅞	15¾-15⅞
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Local authority and finance houses seven days' notice, others seven days' fixed. * Long-term local authority mortgage rates nominally three years 15-15½ per cent.; four years 15-15½ per cent.; five years 15-15½ per cent. ◆ Bank bill rates in table are buying rates for prime paper. [illegible]

Finance House Base Rates (published by the Finance Houses Association): 14 per cent. from November 1, 1976. Clearing Bank Deposit Rates for small sums at seven days' notice 11 per cent. Clearing Bank Base Rate for lending 14 per cent. Treasury bill average tender rates of discount 14.4337 per cent.

FOREIGN EXCHANGES

[illegible]

OTHER MARKETS

[illegible]

* Basic discount. † Given rates are for convertible franc. Financial franc 59.28-59.48

GOLD MARKET

[illegible]

EURO-CURRENCY INTEREST RATES*

Oct. 29 1976	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	W. German mark	Swiss franc
Short term	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Euro-French deposit rates: [illegible]

* Rates are nominal closing rates.

† Short-term rates are call for sterling, U.S. dollars and Canadian dollars: two days' notice for guilders and Swiss francs.

FORWARD RATES

[illegible]

SPECIAL DRAWING RIGHTS RATES

[illegible]

EXCHANGE CROSS-RATES

[illegible]

MINING NOTEBOOK

Pancontinental versus Randfontein now

BY LODESTAR

IT WAS ON August 31 that my favourite broker put forward the forthright view here when discussing investment prospects in uranium that, despite the rioting in South Africa, Randfontein must be cheaper than Pancontinental. Since then the former have exactly doubled in price at £23½. Pancontinental are £11 compared with £13½ and have recently been as low as 800p.

The obvious question now is whether a switch in the reverse direction is advisable. So I put it to the broker concerned. He was doubtful. He admitted having taking part of his profit on Randfontein but was not yet prepared to put the proceeds into Pancontinental. I drew his attention to the Fox report which, although there is another instalment thereof yet to come, has at least partially cleared the way for the Australian Government to give the go-ahead signal for development of the country's big uranium deposits, representing some 20 per cent. of world reserves.

Yes, he argued, but how do you know that Pancontinental's Jabiluka deposit will not be well down the list if the Government should adopt the proposed sequential method of granting production permissions? Even if Pancontinental is regarded as being 100 per cent. Australian owned, a debatable point, the snag has still to be overcome of Getty Oil's 35 per cent. stake in Jabiluka if the Government's apparently inflexible 75 per cent. domestic ownership rule is to be complied with. On this count Peko-EZ Industries' Ranger find, Western Mining's Yeelirrie and Queensland Mines' Nabarlek could be the front runners.

And what of the trade unions? They are already preventing the export of Uranium from the country's present sole producer, Mary Kathleen in Queensland, and even after the Fox report the rail union has said that it will be urging other unions to oppose big-scale uranium production.

Moreover, on Friday the chairman of the Australian Uranium Producers Forum said there was no doubt that uranium prices would fall when Australian supplies reached the international market, adding that the rise therein had been partly due to the gap created by the delays over the past four years in exploiting the country's big finds.

There must be many nervous weeks of uncertainty before all this is sorted out my broker friend concluded so Pancontinental are not for me yet especially after the recent graphic illustration of how they can plummet when uncertainty is rife.

It was just after he left me that I received from one of his competitors, Laing and Cruickshank, a circular which certainly showed the other side of the coin. I quote, "we believe that investors are being given a final chance to acquire a stake in what will probably become the world's most important single uranium project at rock bottom prices . . . we believe that the way is now clear for Australia's uranium extractive industry to move ahead fairly rapidly into the production stage."

They go on to say that, although Pancontinental's share price may see some fairly violent fluctuations over the next three months, investors whose nerves can hold through this "final phase of uncertainty will be extremely richly rewarded." They estimate Pancontinental to be worth $A33 if yellowcake sales are made at $US25 a pound and $A60 at $US35 a pound. Friday's Sydney price was $10.80. You can hardly be more bullish than that but I think I shall stick for the time being with my broker friend who will not be among those in the buying rush this morning.

Cons. Murchison

What of Consolidated Murchison now? This is a question that keeps cropping up in the light of the setback in the share price from nearly £10, when the taking of at least part profits was recommended here, to under 600p recently. Are averaging purchases now worth while one reader asks. The answer could well be yes according to the latest advices from Johannesburg for this South African antimony producer.

The reasons for the setback have been threefold, the general depression in Johannesburg stock markets, the hiccup in the base-metal recovery generally and the lower September quarter production stemming from a reduced ore grade. The last-named influence in particular prompted a degree of nervousness in Johannesburg where it was taken to reflect mining problems in moving into the area served by the new Athens shaft.

These, I understand, are now being overcome and this should be reflected in the current quarter's results. In the meantime, the company is at least able to feed the present strong demand for antimony by sales from its stockpile accumulated during the days of depression. The 1976 sales total of 25,000 tonnes, against 19,887 tonnes last year, forecast by the chairman should be comfortably achieved.

This indicates that there could be a final dividend of at least 90 cents to make a 1976 total of 140 cents (100p) which would be 60 cents more than for last year and would represent an attractive yield for South African investors and for those in Europe who do not have to pay the investment currency premium. Friday's price was 600p.

Mt. Keith for sale?

Australia's Metals Exploration is another share which seems to be causing some puzzlement among what can only be termed "tired" holders. The struggles of the big Greenvale lateritic nickel deposit in Queensland are only too well known. The latest news thereof is that production in the September quarter was at 86 per cent. of capacity compared with 93 per cent. in the previous three months.

The fall in output is attributed to the reduced availability of ore reduction furnaces during a modification programme that was nearly half completed at the end of September. But what is intriguing the share market in Sydney is talk that Metals Exploration is seeking a buyer for its one-third interest in the big low-grade Mt. Keith nickel deposit in Western Australia. The other partners therein are America's Freeport Minerals and Australian Consolidated Minerals in which Amax has a stake.

For sale would be a deposit of some 300m. tons containing an average of around 0.6 per cent. nickel. It is not thought that Freeport, Metals Ex's Greenvale partner, would be interested but it is considered that Western Mining or Amax might be. Also intriguing is why Metals Ex would want to pull out apart from the fact that it may still be potentially short of cash despite the 2m. shares placed last June.

In the year to that month the company turned in a loss of $5.24m. (£4.1m.) but it was after providing $6.6m. for interest most of which is not yet due for payment. It is difficult to see much mileage in the shares although any further developments regarding the Mt. Keith situation could possibly give them a mild boost.

Goldrim lives on

The latest candidate to be thrown up in the seemingly never-ending "whatever happened to" series on the remnants of the Australian mining boom is Goldrim, the down-under variety not the former Canadian parent of the same name dealings in the shares of which are still suspended.

Firstly, one mystery about the Australian shares must be cleared up. For every 500 shares originally held the holder will now have only 50 shares which are quoted in London at around 30p. He is to be offered a 3 for 1 rights issue at 25 cents plus a 2-year free option for each share taken up.

The new funds are needed for the still further development of the company's Wodgina tin-tantalite deposit in Western Australia's Pilbara, a long-standing venture which must have some promise otherwise it would surely have been abandoned by now. At least the technical managers regard the grades of the latest samples as "highly encouraging." Uranium indications at Wodgina are also being examined. While there's life there's hope must be the verdict as, I regret to say, it has to be for so many of the companies in the "whatever happened to" series.

INSURANCE

Liability contribution creates problems

BY OUR INSURANCE CORRESPONDENT

IT IS long-established law that where there are two policies of insurance covering the same person against the same peril and to the same extent, each of the two insurers must contribute equally to the cost of settling any claim by the policyholder.

But this basic situation can be altered by the various contribution, or rather, non-contribution clauses that insurers employ. For example, if one policy bears a non-contribution clause and the other has no such clause, the usual consequence is that the second bears the whole of the claim, while if there are two non-contribution clauses they cancel each other out and the claim is settled equally by both insurers.

In the law reports and in the insurance reference books there are many judicial decisions stretching back up to two centuries, so one might think that, whatever differences of opinion may arise between two or more insurers, all such problems have, in fact, long since been worked out and it only remains for any disputants to look up precedents and resolve their arguments. Not so.

At present there is a contribution dispute between insurers which seems likely to be considered next year by the House of Lords, as there is a matter of principle to be settled. At the moment the Court of Appeal's judgment in *Commercial Union Assurance Co. Ltd. v. Hayden* stands.

Both Commercial Union and Lloyds' Underwriters provided public liability cover for a company. The CU policy had a limit of £100,000, the Lloyd's policy a limit of £10,000. A claim arose, and by agreement between insurers the claimant was paid £4,425.

Both policies carried a rateable proportion clause in these terms: "If at the time of any claim arising . . . there shall be any other insurance covering the same risk . . . the Company (Underwriter) shall not be liable for more than its rateable proportion thereof."

Appointment

Insurers asked the judges to decide the meaning of the words "rateable proportion." Lloyd's contended that the apportionment should be on a "maximum liability" basis—that insurers should aggregate their liability limits (£110,000) and then each pay in the proportion that the individual policy limit bore to that total sum. On this basis Lloyd's would pay 1/11, Commercial Union 10/11.

For their part CU argued for assessment on an "independent liability" basis—first it should be determined what each insurer's liability should be if that insurer had stood alone, and then the total liability should be divided in proportion to each independent liability. On this approach the two policies would share equally any claim up to £10,000. Only beyond that figure would there be any percentage apportionment, and the precise apportionment would be determined by the total amount payable.

If it were, say, £40,000, the apportionment would be in the ratio of four to one, with the company paying £32,000 and Lloyd's £8,000.

As they could find no legal precedents for the apportionment of liability, as contrasted with property claims, and no previous decisions indicating even where a preference might lie, the judges were thrown back on their own resources. At the trial Mr. Justice Donaldson upheld Lloyd's Underwriters' argument, while in the Court of Appeal, all three Lords Justices felt that the Commercial Union argument should be preferred.

In explaining why, Lord Justice Cairns has said that he had asked himself which meaning was more likely to be intended by responsible businessmen. It was not to be supposed that when either policy was issued the insurer knew another policy would cover the same risk. Each limit of liability, each premium, should be taken to have been fixed without knowledge of the other.

For that reason he found it difficult to suppose that Lloyd's really intended that their policy should pay only 1/11 of a possible claim within their policy limit. Therefore as the claim had been settled at £4,425 each insurer should pay half.

HAL may resume dividends

BY MICHAEL VAN OS AMSTERDAM, Oct. 31.

HOLLAND America Line expects to be able to resume payment of a dividend this year, now that the company has started making profits again.

It said in a short statement released in Rotterdam that, not taking into account a major book profit on sales in investments, some level of profit is expected to be made. "Should they be of sufficient magnitude, which is what we expect, we intend to propose a dividend governing the year 1976," it is added.

The shipping company, which has taken into consideration the usual seasonal uncertainties in the final quarter of this year when deciding that a dividend could be on the cards, added that it had been able to show profits in the first nine months of this year, as against losses in the same 1975 period. The period's profit did not take into account a book profit of Fls.25m. (about £6m.) recorded from the sale of the interest in the Dutch Smit towage companies.

HAL, which was recently in the news for a number of diversification moves completely outside its normal sphere of activity, said that the profit development in the first nine months of this year was attributable to improved results from the tourism division, particularly the cruising sector.

It was added that the Irish shipyard Ross Co., which until now was considered part of the trading division, was transferred in 1976 to the special transport division for what the Dutch company call "marketing" reasons. Largely as a result of this decision, profits recorded by the latter division showed a decline from the comparable figures for 1975.

The statement said that Holland America Line's trading division reported that results had been under pressure as a result of the continuing lag in demand.

INSURANCE BASE RATES

† Atlantic Assurance	12 %
Cannon Assurance	12½%

† Address shown under Insurance and Property Bond table.

OVERSEAS MARKETS

EUROBONDS

Dearth of new issues firms prices

BY TONY HAWKINS

LOWER PRIME rates in the U.S. and the continuing reluctance of top quality borrowers to take the plunge pushed prices ahead again on the Eurobond market last week. This trend was probably more pronounced in the Euromark sector than elsewhere with currency considerations and the sharply firmer domestic market influences playing a significant role.

Wherever one goes, the story is the same — too much investment money chasing too few new issues. Late last week the dollar market was enlivened by the tremendous popularity of the Canadian National Railway issue, increased to $85m. from $75m. and there was lively speculation about its pricing with suggestions that CNR might appear at a premium.

To-day, New Zealand is expected to announce a $100m. bond issue which is likely to prove very popular in the light of the success of the recent New Zealand Euromark issue which was priced at 101 on a coupon of 7¾ per cent. In the market it was being suggested that the New Zealand issue would have a coupon of about 8¼ per cent. with a seven to 10 year maturity.

Also announced to-day is the $15m. convertible issue for Ricoh of Japan. This has a 15-year maturity and carries an indicated coupon of 6¼ per cent. It is coming to the market at a time when investors are demonstrating an understandable reluctance to support such investments. Their disenchantment is all too apparent, as evidenced by the dismal secondary market performances of Sumitomo and Sanyo Electric.

Sanyo was priced last week to give a 9.13 per cent. conversion premium. For the record, this implied a conversion price higher than the record high for the Ordinary shares on the Tokyo Exchange. Coming at a time of disenchantment with equity investment, the net result was a Friday price of 95/96½, which must have left many investors with sorely burned fingers.

Eurobond Turnover

Week ended	Nominal value Oct. 29	Oct. 22
	$m.	
Cedel	596.8	581.2
Euroclear	878.4	845.6

Although the Ricoh issue is a small one the case for realistic pricing in regard to the conversion premium is strong in the light of experience of Sanyo and Sumitomo.

Nippon Fudosan Bank, which announced a $20m. five-year bullet bond issue last week has increased the size of the offer to $25m. at 8¼ per cent. in the light of strong demand. The issue will be priced this week.

In the secondary market turnover improved to total $1.5bn. and prices were better with the shorter Australian and Denmark dollar stock benefiting from the uptrend. Dealers continue to insist that the market is being starved of the top quality paper that is necessary to retain investor confidence and enthusiasm.

The news of the $40m. floating rate note issue by Oesterreichische Kontrollbank at a minimum rate of 6½ per cent. was followed by the announcement of another $40m. floating rate issue from Banco Urquijo, of Spain, also at ¾ per cent. above Libor (London interbank offered rate).

In the D-Mark sector, the Capital Market Committee was reported to have agreed to DM600m. of new issues during November, but the consensus viewpoint was that this target was unlikely to be attained. Borrowers are reluctant to enter this market at a time when further revaluation of the Mark seems only too likely. Indeed, a new issue by a Mexican borrower, expected late last week, was said to have been deferred and this pattern could well be maintained during the month, at a time when new paper is in demand.

Looking ahead, some narrowing of the differential between medium and longer term paper seems probable. At present demand is forcing prices up and yields down at the short end. This would presumably open the way for the longer term borrower—with 10 year paper—to come to the market on rather tighter terms than those currently available.

Just how long the downtrend in coupons can be expected to continue is another matter. Whatever views one takes of to-morrow's Presidential election, the conclusion must surely be that in the medium term interest rates in the U.S. are going to rise, either because of resurgent domestic U.S. loan demand, or higher inflation, or both.

But it would be wrong to suggest that higher interest rates are threatening the buoyancy of the Eurobond market. They are not. The main threat to the primary market lies in the reluctance of triple-A borrowers to come to the market. The reason for this is that they can get longer maturities and often lower interest rates in the New York bond market. The current CNR success is something of an illustration. The market would be only too happy to take more CNR paper, but the borrower is apparently reluctant to go beyond $85m.

Indices

NEW YORK—DOW JONES

	Oct. 29	Oct. 28	Oct. 27	Oct. 26	Oct. 25	Oct. 22	1976 High	1976 Low	Since compilation High	Since compilation Low
Industrial	964.93	952.65	956.12	948.14	950.00	955.76	1014.79 (21/9)	858.71 (2/1)	1051.70 (11/1/73)	41.22 (8/7/32)
Home B'nds*	89.59	89.01	89.02	89.06	88.65	88.71	89.88 (25/9)	85.60 (13/7)	—	—
Transport	210.57	207.51	207.69	208.59	205.25	205.25	231.27 (14/7)	175.69 (2/1)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	96.85	97.42	96.82	96.55	96.24	96.18	98.02 (21/9)	84.5 (26/5)	165.52 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's †	17,050	16,220	16,780	15,490	18,510	17,870	—	—	—	—

* Basis of index changed from July 1.

Ind. div. yield %	Oct. 29	Oct. 15	Oct. 8	Year ago (approx.)
	4.09	4.10	4.03	4.56

STANDARDS AND POORS

	Oct. 29	Oct. 28	Oct. 27	Oct. 26	Oct. 25	Oct. 22	1976 High	1976 Low	Since compilation High	Since compilation Low
* Industrials	116.15	116.84	116.30	115.07	111.87	111.71	120.89 (21/9)	101.64 (2/1)	134.84 (11/1/73)	3.52 (30/6/32)
† Composite	102.90	101.61	101.76	101.06	100.97	99.96	107.83 (21/9)	90.90 (2/1)	120.24 (11/1/73)	4.40 (1/6/32)

	Oct. 27	Oct. 20	Oct. 13	Year ago (approx.)
Ind. div. yield %	3.61	3.61	3.69	3.70
Ind. P/E Ratio	11.52	11.60	11.56	11.60
Long Govt. Bond yield	5.36	6.34	5.27	6.09

	Oct. 29	Previous	1976 High	1976 Low
Australia (a)	439.69	438.70	522.63 (19/2)	432.43 (28/10)
Belgium (b)	88.15	87.98	115.18 (5/3)	87.13 (25/10)
Denmark (d)	101.76	101.39	117.70 (13/6)	100.14 (14/10)
France (e)	53.9	52.8	74.3 (3/3)	52.3 (26/10)
Germany (f)	697.7	691.4	821.7 (17/3)	697.7 (29/10)
Holland (g)	81.7	81.8	105.3 (5/2)	77.9 (13/10)
Hongkong (h)	389.73	392.42	466.33 (17/5)	364.53 (2/1)
Italy (j)	67.75	67.86	91.57 (22/2)	65.85 (18/10)
Japan‡ (m)	350.18	350.52	369.61 (1/9)	326.28 (5/1)
Singapore (n)	247.98	245.06	295.16 (3/2)	236.35 (2/1)
Spain (p)	74.88	74.64	100.75 (7/5)	72.65 (22/10)
Sweden (q)	378.09	378.65	476.95 (19/5)	378.09 (29/10)
Switz'rl'd (r)	283.7	286.0	290.5 (12/5)	261.7 (29/10)

Indices and base dates (all base values 100 except NYSE All Common—50, and Standards and Poors 10): (a) Sydney All Ord. (b) Belgian SE 31/12/63. (d) Copenhagen SE 1/1/73. (e) Paris Bourse 1961. (f) Commerzbank December, 1953. (g) Amsterdam Industrial 1970. (h) Hang Seng Bank 31/7/64. (k) Milan 2/1/73. (m) Tokyo New SE 4/1/68. (n) Straits Times 1966. (p) Madrid SE 31/12/74. (q) Stockholm Industrials 1/1/58. (r) Swiss Bank Corp. 31/12/58. (u) Unavailable. ‡ Excluding bonds. * 400 Industrials. † 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (z) Closed.

MONTREAL	Oct. 29	Oct. 28	Oct. 27	Oct. 26	1976 High	1976 Low
Industrial	176.11	174.90	175.16	175.40	[illegible]	176.40 (26/10)
Combined	176.39	175.62	175.79	174.47	199.78 (20/2)	175.67 (2/1)
TORONTO Industrial	177.61	176.14	176.81	176.56	197.45 (20/2)	176.81 (2/1)
JOHANNESBURG Gold	142.3	140.66	158.8	139.7	226.7 (12/2)	113.5 (25/8)
JOHANNESBURG Industrials	176.5	177.00	177.2	177.4	216.0 (21/5)	176.3 (29/10)

N.Y.S.E. ALL COMMON

Oct. 29	Oct. 28	Oct. 27	Oct. 26	1976 High	1976 Low
54.89	54.24	54.32	55.07	57.51 (21/9/76)	57.06 (2/1/76)

Rises and Falls	Oct. 29
Issues Traded—1,862	Up—1,040
Down—384	Same—450
New Highs 57	New Lows 24

Insurance data to help debate

By Eric Short

THE BRITISH Insurance Association has produced a leaflet for insurance staffs listing some of the facts and figures about the industry. The aim is to provide statistics for any discussion or debate on insurance nationalisation.

It says 34 per cent. of assets, which last year totalled £28bn., were invested in company securities either as equities or debenture stocks and that large amounts had been made available to industry by mortgages and loans.

Denmark loan for syndicatio[n]

By Tony Hawkins

THE $300M Euroloan [for] Denmark is to go into synd[ica]tion this week. The five-[year] credit carries interest at 1[…] cent. above Libor (London i[nter]bank offered rate). There [is a] three-year grace period to [be] followed by five equal s[emi-]annual payments giving an a[ver]age life of four years. The [loan] is fully underwritten with Citicorp as lead manager. O[ther] members of the managem[ent] group are Algemene B[ank] Nederland, Bank of Nova Sc[otia], Grindlay Brandts, Manufactu[rers] Hanover, Union Bank of Swi[tzer]land, Wells Fargo, Westdeut[sche] Landesbank and the Da[…] Consortium.

OVERSEAS SHARE INFORMATION

NEW YORK

CANADA

AUSTRALIAN WEEKLY LIST

TEL AVIV STOCK EXCHANGE

HONG KONG

CORAL INDEX Close 373-377

I.G. Index 01-351 3466 Three Months Silver 282.3-285.3

JOHANNESBURG

CANADIAN WEEKLY LIST

AUSTRALIA

GERMANY

PARIS

AMSTERDAM

MILAN

TOKYO

BRUSSELS/LUXEMBOURG

SWITZERLAND

OSLO

BRAZIL

VIENNA

SPAIN

STOCKHOLM

COPENHAGEN

هكذا من الأصل

هكذا من الأصل

FINANCIAL TIMES SURVEY

Monday November 1st 1976

The Travel Industry

When the Association of British Travel Agents convention opens today in Athens the mood is likely to be a mixed one. Although some areas of the travel business have been hit very hard, the overall situation for the industry is better than most people had expected.

Show stays on the road

HE TRAVEL industry is no ifferent from other consumer usinesses in that it has suffered vorld wide from the down-turn n economic fortunes. Nonetheless the British travel business as probably been less affected han might have been expected. oreign travel has dipped eavily, but still provides ufficient business to keep many ompanies in a more profitable tate than they have been for ome years. The domestic hotel rade, particularly in London, as seen a substantial gain from oreign tourist earnings and has een able to increase margins. t is the retail travel agents nd the airlines which have eally been feeling the pinch, long with hoteliers and ground perators in some of the resort ountries.

Taking this patchiness into ccount, however, 1976 has been rather better year than most eople expected — or perhaps nore people than usual got their ums right. The estimation game or 1977 may prove more tricky, ut at the moment no one really elieves that the total outgoing narket will increase. The size f the fall will depend very much on economic circumstances within the U.K., and particularly the state of sterling.

Over the past decade a subtle but important factor seems to have entered the holiday market. The annual break was traditionally regarded as an extra, something that was taken because there was a little money left over. There are now signs that many families regard the annual holiday as of major importance. Research indicates that some families are willing to put off replacement of the family car, or television set, but they give up the annual holiday with marked reluctance.

That is not to say that the travel industry has had things all its own way. Clearly it has not. Figures at the end of this year may show that the number of British trips abroad was nearer 8m. than the 10m. it topped in 1973. Some aspects of the market in particular have taken a severe knock, notably off-season and second holidays. This serves to indicate that it is the sectors of the market regarded as peripheral which have suffered most, leaving the hard core of the business surprisingly resilient.

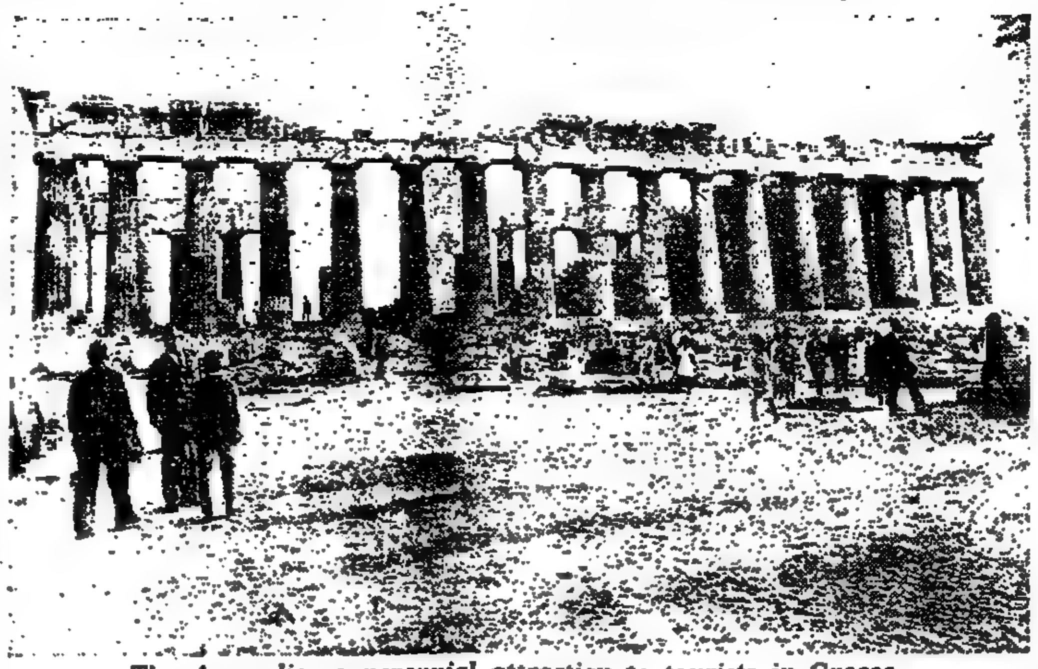
It would be tempting to say that this resilience, once demonstrated, is likely to be a permanent feature, but that may not be the case, and there is a danger of long-term damage being done. Inevitably there must be concern that money that is being spent at the moment comes to some extent either from previously accumulated resources, or is cash that is diverted from other purchases such as the car or TV. Whichever the case, obviously once savings have gone or been alarmingly reduced, or when the state of the car, TV or washing machine becomes too bad to be ignored, then the resources can no longer be diverted.

This Survey was written by Arthur Sandles

Tempting

It is always tempting to be pessimistic about the prospects for the travel industry, since the industry itself is so heavily populated with optimists, or at least was. A season rarely started without talk of growth, and when this growth failed to appear so a few names left the lists. The great survivors are those who have shown themselves to be the realists if not the pessimists. It is arguable that the Thomson masterstroke was not getting involved in wide-bodied jets, however tempting this may have seemed at the time, and keeping capacity down in 1975 and 1976 in spite of pressures to do otherwise. Cosmos too, whether due to decisions taken in Bromley or Lichenstein, has kept capacity within bounds and done things which provoked considerable irritation at the time, like laying off staff and cutting back agencies, but which have contributed to its continued presence as No. 2.

There may have to be a great deal more of that realism for a year or two if the major operators and airlines are to survive.



The Acropolis—a perennial attraction to tourists in Greece.

If one takes a longer view, however, the inevitable conclusion is that things cannot always be bad. It must be assumed that the British economy will bottom out at some time. The real guessing game comes in estimating when, and to what level it will have sunk before the turn comes. Even now, in tourism terms, there are marked gaps between British performance and the characteristics of other markets in terms of holiday spending, numbers of holidays and the like. This provides considerable room for growth.

For the moment, however, the members of the Association of British Travel Agents are preoccupied with other matters. The whole basis of ABTA is being questioned as a result of recent moves on the political front. There are some who suggest this may be the last convention to be staged by the association in its present form.

ABTA's strength goes back to the sixties. At the time tourism was booming and, in common with boom industries throughout history, some of the bubbles burst. Names such as Fiesta and Omar Khayyam featured in the headlines. Tourists were stranded the pictures of customers hammering at barred doors in the vain hope of getting their money back were a common sight. The travel industry was getting a very bad name. So bad indeed that travel industry leaders were told to clean up the business within one year, or have the Government do it for them.

The result was Operation Stabiliser. In effect this is a mutual guarantee scheme. Members of ABTA trade only with other members. In other words ABTA retail shops only sell the products of ABTA tour operators and in return the tour operators only sell via ABTA outlets or direct to the public. If any members gets into financial difficulties the other members rescue his customers. Membership involves a measure of financial scrutiny.

The Government of the time was delighted with the scheme and it seems to have worked, although added sophistications, such as bonding, have been added since. As present president Mr. George Skelton says: "It has worked. We even managed to handle the Clarksons collapse and the customers have now got their money back."

Whatever the beneficial effects of Stabiliser it is clearly a restrictive practice, and has been registered as such. The Office of Fair Trading now has to decide whether or not it feels Stabiliser to be in the public interest, and the whole affair may end up in court—if ABTA decides it is worth the cost of a fight.

The arguments against stabiliser are that it insulates the retail industry in particular from competition, and thus arguably the consumer may be prevented from getting better service from new blood. It is said that the public is now protected both by bonding and by the Air Travel Reserve Fund. The final argument is that if there is a need to protect the public further from disreputable traders then agents could be licensed, in the same way as pubs and supermarkets get liquor licences.

The arguments in favour are Stabiliser are that it insulates well so why spoil it? Entry into travel retailing is not restricted, and if you are financially secure and can recruit some trained staff there is nothing to stop you joining ABTA and starting in business. A licence system would involve bureaucracy where none has been necessary in the past.

It is these points that the Association's members, and the Officer of Fair Trading representatives, will be discussing this afternoon and there is little doubt that the discussion will get a little waspish. ABTA members generally seem to be having a spell of industrial backlash against the spread of consumerism and the intervention of Government.

It is interesting to note that this session of the conference, which is of considerable public interest, is not being opened to the media. Doubtless the question of how the public are to be treated in the future is regarded at too important for them to have access.

Debate

Linked with the Stabiliser debate is the question of resale price maintenance. RPM in the travel industry has been crumbling lately and the general view is that it will probably disappear completely soon, either thanks to outside pressures, or simply because the tour operators in particular will abandon it unilaterally. The implications of this on trading will be discussed elsewhere, but it has a direct bearing on the question of Stabiliser. There must be some doubts over the willingness of ABTA members to rescue the clients of an ABTA member company which has driven itself into difficulties by over-enthusiastic discount trading. Why should other companies help out the clients of an organisation which has underpriced them on a non-commercial basis?

ABTA has a habit of tearing at itself during the convention period, but of emerging fit for further fights. Whether it can do so this year remains to be seen, but with 2,500 British travel industry personnel in Athens for a week there could be a lot of action.

THE TRAVEL INDUSTRY II

Guarantees gain favour

THERE HAS been a great deal of nail biting in the tour operating boardrooms over recent months. Do we or don't we guarantee prices? That is the question which has caused the furrowed brows. The answer by and large seems to have been yes, or at least a qualified yes, since the form of guarantee varies like the colour of leaves on an autumn tree.

One or two, Cosmos and Olympic for example, have come out with full-blooded guarantees of brochure price. Others, and British Airways—have plumped for a book-early, pay less policy. Thomson has fully guaranteed part of its programme (villas). Thomas Cook says if you pay in full the price is fixed.

All these schemes have been produced because the tour operators believe the greatest single worry in the public mind is price stability. The travellers, the argument runs, want this aspect of worry removed. The difficulty is, of course, that if the traveller will not accept the currency risk, then someone else must. Setting up a guarantee scheme means finding that someone else. As they worried about how to sort that one out the tour companies had the awful reminder of Castle Holidays in 1976, which guaranteed brochure prices and then caught cold when the pound crashed.

Queueing in London for 1977 holidays.

Decline

Most tour operators seem to have thought in terms of a gradual decline in the value of sterling when they made their calculations. The hope was that the fall would not be too severe, that buying forward at the allowed time would cover some of the risk, that interest rates on cash paid would also cover a measure of any fall, and that the load factors induced would justify the risk. In fact the pound has tumbled much more rapidly than was expected. Some, like Mr. Basil ("I have faith in sterling") Mantzos of Olympic Holidays, think it has hit the bottom. "Anyway, I allowed for this in my calculations. But I think there will be a recovery in the value of the pound."

Behind the presence of all the guarantees, of course, is the basic fact that the market is falling away. The only way companies can hope for growth, or even stability, is to take a greater slice of the market. In that position the only way to improve profitability is to improve load factor (the number of seats operated compared with the number of seats sold). Traditionally, tour operators have aimed for a load factor of 80-85 per cent., with everything above that being sheer profit of perhaps £50 a passenger.

The ideal, therefore, is that sterling remains steady and customers are attracted by the stability of the price. In that case a company carrying 100,000 passengers might hope for £500,000 additional profit. This is the cushion it has against falling sterling, or a shortfall on sales.

Events so far have proved that the 1976-77 season is likely to be far from ideal. Tour operator predictions of a stagnant market over the next few months are now being revised downwards. This can only mean one thing—the battle in the market place is likely to become a good deal more aggressive as the winter wears on. Some 3m. people may take package tours over the next 12 months from Britain, and that would be around 1m. less than in the summer of 1974.

It is partly for this reason that RPM would almost certainly be impossible to retain, even if the industry were to decide it worth making the attempt. Already tour operators have sufficiently adapted their sales conditions to allow them to off-load slow selling lines and stay within the rules of ABTA which insist that operators should only sell at published prices.

If competition gets really cut-throat much more can happen than the present almost polite war of late discounts and tempting offers of over-riding commission for agents who sell your product rather than that of the rivals. There is always the temptation of the industrial company, for example, who might buy 20,000 holidays for its employees—provided the rates are right. In a market where such a deal might make the difference between ruin or survival it would be a brave (or perhaps foolish) operator who resisted.

Drama

As if all this drama were not enough there is an intriguing sub-plot. British Airways entry into the package tour market on a major scale under its Enterprise and Sovereign banners has really irritated some sectors of the wholesaling trade. In particular the knives are truly out in the fight between Thomson and BA. The state airline has already claimed to have overtaken Cosmos as No. 2 in the league, a claim which Cosmos simply laughs at since all the research figures would seem to indicate Cosmos still clearly ahead of the airline.

One of the major beneficiaries from this battle could be the media, since all three market leaders are so keen to keep their names in the public eye that they are likely to be heavy spenders on advertising over the coming months.

The losers must surely be some of the smaller operators. Already the periodic lists of tour operators who have lost, or not bothered to renew their Air Tour Operators Licences with the Civil Aviation Authority tend to read like the messages in some commercial graveyard. Most of them of not collapsing, simply giving up the ghost and turning back to retailing and letting others fight out the battles of the package tour skies.

As far as the type of holiday is concerned the great emphasis over the past couple of years has been the growth of the villa holiday—up-market self catering. It is a growth which coincided with a fall in the number of families taking conventional hotel holidays because of the higher costs.

At one time the villa operators were looked on as rather odd and somewhat suspect, an opinion which was not entirely unfounded in the mid-sixties. Now, however, companies like market leader OSL, and operators such as Meon and the Travel Club of Upminster, have been so successful of late as to have tempted the big leaguers, who used to treat villa operations as beneath their dignity and in any way too complicated, into the ring. Thomson is rapidly expanding its villa menu and this year Laker came into the villa market with properties in Majorca.

The upsurge of villa business in relation to other traffic is likely to help one destination in particular. Trade sources are already talking of 1977 as being "the year of Portugal." The Portuguese Algarve is almost designed for the British villa market. With the politics seemingly having settled for the moment at least as far as Portuguese politics are concerned the tourists are beginning to return in force.

Perhaps Portugal could be the one bright spot of what promises to be a cloudy year for British package tourism.

Agents bear the brunt

THERE IS little doubt that it is the retail travel industry which has borne the brunt of the economic downturn. While tour operators, and to some extent airlines, have been able to adjust their operations to projected market demand the plain fact of tourist traffic to-day in retailing is that a much smaller cake (in real terms) is being shared among virtually the same 5,000 retail outlets that there were four years ago. At a very rough estimate the average income of these outlets is not much more than £20,000 a year in gross commission revenue—and it could be much less. This is not much to run a shop, have two or three staff, pay the telephone, promotional and heating bills, and leave something for the owner.

It is hardly surprising therefore that retailers both in the U.K. and elsewhere have been pressing hard for increased commission rates. At the moment these vary mostly between 7½ and 10 per cent. according to the type of business being handled. The most profitable traffic normally is package tours, which involve the minimum of work and often have built in over-riding commission for those outlets who manage to drum up a greater than normal amount of traffic.

Concern

The main area of battle for the travel agents has been with the airlines, which are really the bread and butter of travel agency life. At the moment airlines pay 7½ per cent. commission on all tickets sold. This is about to rise to 8 per cent. In response to pressure for a much higher rtae the airlines have suggested a 4 per cent. additional commission when a travel agent increases his sales by 10 per cent. in a year. So far the agents say they would prefer a flat 9 per cent.

What has brought concern to many a travel agent, however, is not this basic airline business, but the fact that there has been a down-turn in tour operating revenue. Tour operators pay a basic 10 per cent. usually, but are often willing to give more either as a matter of course, or if an agent provides bulk custom. The sums involved are usually quite high—the average family of four holiday to Spain means at least £40 in commission to the agent—and the work relatively light when compared with the sale of a short haul airline ticket and hotel reservations that might be required by a businessman.

The loss of tour traffic by retail agencies has therefore

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Airlines get back on course

THINGS ARE beginning to look better for the world's airlines. In Britain both British Airways and British Caledonian are talking in terms of better financial performance, and in America one or two companies are even clawing their way towards the per cent. return on investment which the Civil Aeronautics Board uses as a target when it assesses the viability of the industry.

What has happened is that the airlines are learning to live with over-capacity. It must be remembered that the present generation of wide-bodied jets was conceived almost as far back as the never-had-it-so-good days, and they were certainly ordered by the airlines when the charts showed air travel for ever growing in size. The British travel industry will recall that those were the days when Court Line was getting into the Tri-Star game.

Suddenly the marketing scene changed. Fuel prices soared, currencies fluctuated, Europe and North America were hit by unemployment, and there was an almost universal fall in the disposable income of both tourist and business travellers. The airlines were left all dressed up and nowhere particularly to go.

Against this background, attacks on aggressive marketing by State airlines such as British Airways are almost naive. BA found itself with jets it really no longer needed, and was thus forced to sell the seats, somehow. Either the taxpayer or the traveller had to pick up the bill.

Determination

It is this new determination by both airlines and the Governments which stand behind them, to make sure that there are profits at the end of the day which is leading to much of the conflict that is going on internationally at the moment. Differing views about how to tackle the basic problem of over-capacity are shaking the very foundations of IATA (the until-now all powerful International Air Transport Association) and causing the sparks to fly between Britain and the U.S.

The dispute between London and Washington at the moment centres around the Bermuda agreement. This was signed soon after the ending of the second world war. The American objective was to introduce some sort of order into a potentially chaotic post-war airline industry, and the British aim was to secure enough routes for the U.K. airlines so that when they recovered they would not have been already swamped by those of the U.S. In broad terms the Bermuda agreement allows the countries to ration the number of carriers on a route and to enter reciprocal agreements so that each country has in theory the same opportunity.

The British are complaining that in practice the Americans have got the better end of the deal: that Pan Am and TWA carry far more passengers than British Airways and that there ought to be a deal over *capacity* rather than carriers. As an indication of a determination to enforce this policy the U.K. has indicated that it will instruct airlines coming to Britain to limit their capacity, regardless of what the Bermuda agreement says.

The reason why the two sides have not been able to see eye to eye — and although they are no longer shouting at each other in public the private negotiations are by all accounts going very badly — is that there is a basic difference in commercial and political philosophy. The British believe that the U.K. airlines must make money and that the best way of doing this is to reduce capacity by mutual agreement to a level where the number of seats offered and the number of passengers buying is more evenly matched.

The Americans want their airlines to make money, but feel that the best way of doing this is to let market forces have their way. In the end the weaker companies will fall away and those that remain will make money.

This is a terrible over-simplification, of course, but it illustrates the divergence of view and the difficulty that the two sides will have in meeting half way. In backing up their case the Americans point out that it is their country which generates the major part of the custom between the U.K. and the U.S. (by about five to one) and that on this basis Britain gets more than her fair share.

In Europe the "pool" system of airline co-operation is almost universal. Under this system the airlines share all receipts on a particular route, regardless of the airline chosen by the passenger. The shares are not necessarily equal, but there is nonetheless a share. This practice would be illegal in the U.S. and it is the concern that Britain is trying to introduce some sort of pool on the North Atlantic that is most worrying the American authorities.

Part of the reason for the even greater enthusiasm for airlines to make money these days is that they need some fat in order to buy new equipment in order to keep the aircraft building industries of both sides of the Atlantic in existence. As the British are well aware, particularly after the Concorde experience, there is little enthusiasm for Government to spend money supporting industry, even if that industry is state-owned. In the U.S. the attitude is the same, and talk of the airline business having to turn to Government for support has received a very cool reception.

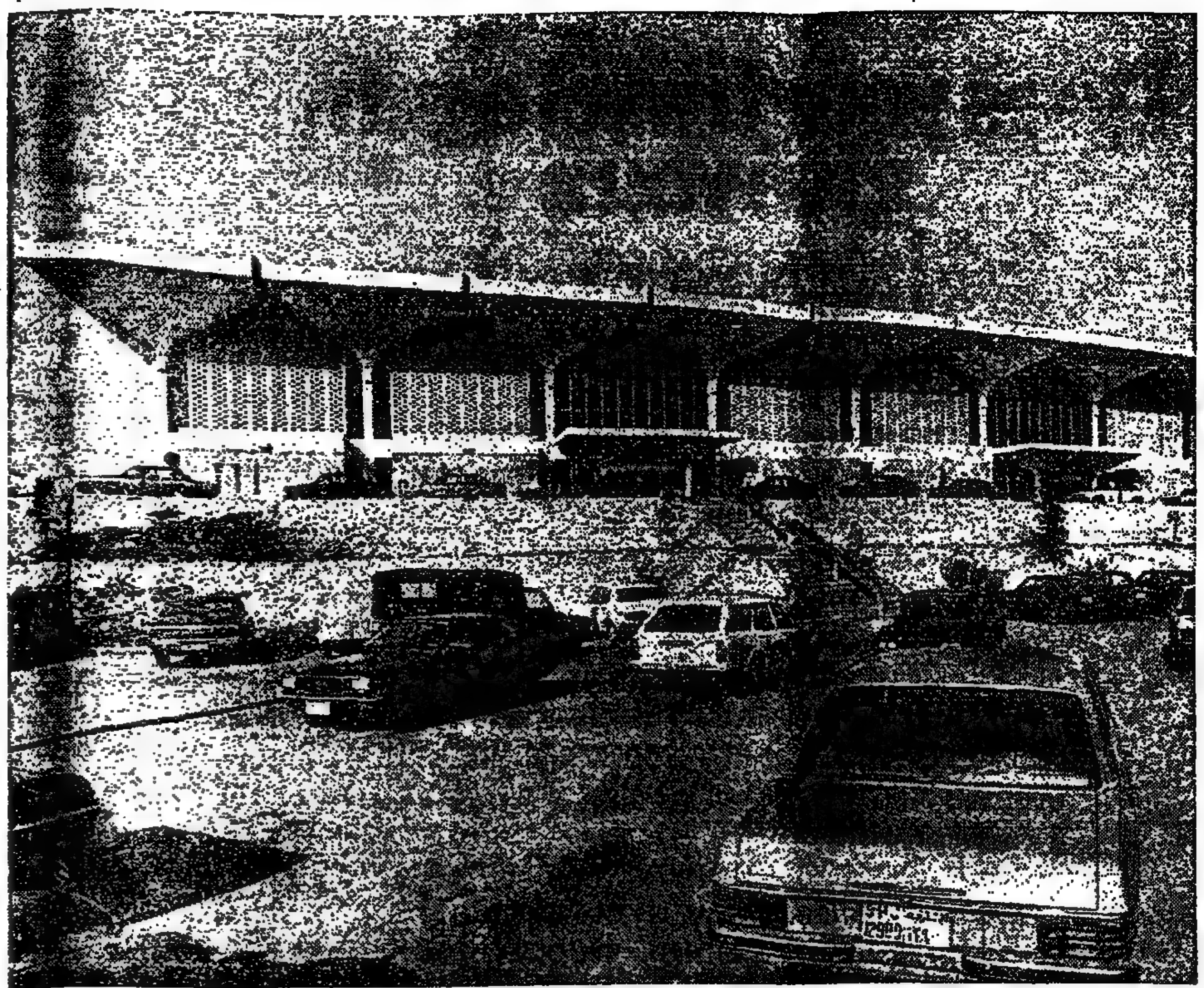
Therefore the airlines now have growing support from Governments the world over for higher fares to be charged to the passengers. Although there is apparent reluctance for this to happen too quickly, Government realise that unless the airlines can get a higher return they are not going to be able to afford the new generation of jets which should be ordered some time during the next decade.

Maintenance

United Airlines has already spelt this out most forcibly in the U.S., saying that Washington is either going to have to allow higher fares, or subsidise, or nationalise or let the fortunes of Boeing wilt a little.

Aircraft do not last forever. Over the years the maintenance bills grow as compulsory renewals and refurbishings take place. A 1959 707 may seem a bargain until the buyer has a look in the log book and *finds that the main spar needs* replacement. That may be why the log books of some older aircraft are conveniently lost.

But if airlines passengers cannot hope to see the day when the average level of air fares falls, they might at least hope the time will arrive when the present chaos over fares is simplified to an extent that travel agents can understand the rates, never mind the public. The proliferation of different fares seems to have provoked such resentment among passengers as to be counter-productive. The growth of the bucket shop ticket has grown in parallel with the expansion of the range of fares as people struggle to find a loophole in the net. IATA may have been too busy looking at its own navel to have noticed.



Dubai's new airport, offering improved travel to the Middle East.

Agents

CONTINUED FROM PREVIOUS PAGE

taken away much of the cream, and the strain is beginning to tell.

Small agencies have little room for cost trimming. In order to retain ABTA membership a retail outlet must have at least two trained staff and have acceptable standards of accommodation. Part-time staff are not allowed.

Travel agents therefore feel themselves in no condition to deal with the change in business which might be brought about by the abandonment of Stabiliser (see introductory article) or the ending of resale price maintenance. These moves would, many of them feel, lead to the intervention of traders who have so far kept out of the travel business, and perhaps to the extension of direct selling by the airlines and major operators.

A discussion paper prepared for ABTA by consultants Robertson Parker and Associates suggests that some at least of these fears may not be justified. It is argued that the ending of Stabiliser and RPM would split ABTA into two voluntary bodies, one of them for agents and the other for wholesalers. Neither would be able to compel membership as a condition of trading.

The consultants feel that major retail chains outside the travel business would not be tempted into it. The market was too sluggish to be appealing, was already over-supplied with outlets, offers little in the way of bulk-buying opportunities and requires too much specialist knowledge. But there were other threats.

In a totally free market it was possible that a change could take place in the retail market as a result of economic circumstances. An increasing number of small outlets would be tempted into having travel as part of a mixed operation, or perhaps travel agencies would be lured into offering a much wider range of goods. This is not as odd as it sounds, since a number of travel agents to-day in fact had their roots in the good old days when the local confectioner also sold coach tickets.

Discussion

Travel agencies themselves would move into three broad areas, including that of mixed trade. The other two would consist of off-High Street locations on the North American pattern, and the on-High Street prestige operation.

All this may sound very well in theory but in practice it could mean a considerable upset for many agents who may have to adapt quickly to changed marketing positions. It is hardly surprising therefore that many a travel agent's mind will cloud over when the conversation turns to new electronic sales techniques, including direct access computer terminals, and talk of industry-wide co-operative marketing campaigns in order to maintain interest in travel in the first place.

The next 18 months are not going to be easy ones for the travel industry. For retail travel agents they might be worse than that.

Businessmen adopt a new approach

A REMARKABLE change has come over the business travel market during the past four to five years. There was a time not long ago when the prime consideration of any business customer as far as his travel agent was concerned was service. The client company wanted, and still wants, an agent who can provide the right bookings at the right time, whether that time is 2 a.m. on a Sunday morning or not. But a new element has crept into the game. With corporate financial controllers paying much more attention to costs these days the business traveller had started taking an interest in his transportation. He is now aware that there are cheaper ways of doing things than just popping into the airline office and taking the first ticket offered. The result has been that business travel houses operate not only on the basis of the service they can offer, but increasingly on the amount of money that can be saved. Business package tourism to conferences, exhibitions and the like have now become an established part of travel life and the growth in this type of activity is likely to continue.

The business community has now realised that although it has a need to travel in a world which is increasingly orientated towards international trade, it does not have the need to pay the full scheduled airline rates, or the full published hotel tariffs.

The position has become somewhat Alice in Wonderland, with the airlines and rail operators—in some countries at least—trying to keep their business travellers captive, and the business travellers eagerly taking advantage where they can of fares which are primarily designed for tourists. A couple of weeks ago, for example, Lunn Poly offered a package to the Technical Fair of Stockholm, which included two nights' stay at a top-grade local hotel, as well as the air transportation, for £110—but the offer went on sale the scheduled air fare was £221.

The rules of the game are not simple. Every country seems to have a different regulation and every airline a different set of ideas. Wakefield Fortune has set it all out on a wall chart from which you find that if you can send a young executive on some routes (Baghdad for example) you will save 70 per cent. on the fare compared with someone aged over 26. If you can travel mid-week and stay for a week in Nice the saving is 34 per cent.

Facilities

Business travel specialists Hogg Robinson have put it all in a paperback booklet, although for its own internal use it has recently finished the compilation of a virtual encyclopaedia of business travel facilities. Apart from the general booklet there is a more specific one on Middle East and North African travel which points out, for example, that although the normal rate for flight and six nights in a hotel in Kuwait would be £689, a six-night business package tour brings it down to £479.

Most of the specialist travel houses can offer deals of this type. Some of the companies, such as Barry Martin Travel, are scarcely known by the general consumer but have a considerable reputation in their own fields. Others, such as Thomas Cook and Rankin Kuhn, have major consumer operations but have found it worthwhile to move sizeable resources into business travel. Once a reputation has been achieved the loyalty of customers is considerable, and a few long-haul ticket purchases can produce commission which makes it all worth the effort.

The whole business of business travel has grown so important and sophisticated that it has now got its own trade magazine, the Business Traveller. This magazine is a mine of information for those who want to discover a few more wrinkles to the trade. It performs a very useful service in the current issue by listing the refund systems of the British banks that issue travel cheques—and pointing out that the German banks offer higher on the spot refunds for lost cheques than the U.K. operations—as well as explaining the way you can reduce your hotel bill with a little hard bargaining.

The growth of business travel is tied to two particular factors, those being the strength of international trade and the prosperity of industry. As far as the first is concerned there would seem little reason to doubt that the growth will continue. It might almost be said that as things get more difficult in the U.K., so the need for the British to sell abroad becomes greater, and therefore the market for the business travel industry should increase substantially. However, there is the basic problem of actually paying for that travel. At the moment British companies are under considerable stress, and therefore the second part of the formula works against growth.

Reliability

Nonetheless, between them they produce a market which is considerably more reliable than that of general tourism. The trouble is, of course, that business travel requires much more expertise on the part of the travel agent than does the selling of package tours. That explains the development of the specialist houses and suggests that whatever changes may come about in the retail end of travel, the business houses are likely to remain relatively unscathed.

On the question of carriers it will be interesting to see how British Rail plays the travel game in future. In the past it has tended, like the airlines, to treat the businessman as a captive market, in marked contrast to the attitude of some European and American operators. The result was a downturn in traffic, in spite of constantly improved stock and times. British Rail is in the traditional quandary of knowing that the market is there, but not knowing how to fund the provision of the right services.

At the moment it is putting its bets on speed and this shows signs of being part of the answer at least. If the introduction of special low fares on the high speed service to Bristol is an indication of what we may expect in the future then it is a hopeful sign.

There is reason to think that the business travel market is over-sensitive to price at the moment, and that a return to normality would allow a considerable premium to be charged for a faster service—a sort of Concorde of the tracks. For the moment that is not necessarily the case. British Rail has therefore to work out if and when the public will be prepared to pay more for their rail travel, for the sheer comfort, convenience and speed of the thing. Otherwise customers may continue to drift away to the roads and even the airlines. It is not an easy problem.

Executive aircraft are playing a growing role in business travel.

When the pound in your pocket...

TIME WAS when the British holidaymaker would go to his local bank, collect his sterling travel cheques and perhaps a day or two's supply of foreign currency and go off on his holidays without a care in the world. Those were the days. Over the past four years travellers have grown much more sophisticated in dealing with their travel cash problems, and probably much more resigned to the complications of fluctuating currency. To find a hotel that refuses to accept sterling in payment of the bill may still be irritating, but it is no longer surprising.

Tour operators have attempted to overcome the alarm that is obvious among many clients by placing a variety of guarantees around their product. However, one of the major deterrents to the customer is not necessarily the cost of the holiday itself, but the fear of what drinks, ice creams and meals out will cost when they actually arrive at the destination. A number of travellers have discovered over the past year that it is not only the British who suffer from inflation.

Probably the biggest areas of growth in recent years as far as the taking of money abroad is concerned have been the foreign currency (notably the dollar) travel cheque, and credit cards. The first can be directly attributed to the weakness of sterling, and the second to the use of credit cards on the domestic market.

The basic difference between a tourist and a business traveller is that the tourist is above all looking for peace of mind as far as his money in concerned, while a company might be forgiven for looking for a little profit. The objective of a tourist is simply to get a good exchange rate and avoid running out of funds.

It is partly for that reason that shopping around for exchange rates is usually a pointless exercise. For most of the more popular currencies, but necessarily those of a more esoteric nature, the banks and travel agencies quote rates that are within a point or two of each other. Any gain by "shopping around" is likely to be soaked up in shoe leather.

It may be as well to take as much foreign currency in notes as you feel you can carry safely. Some countries, however, Italy, Russia and Greece, for example, have rules about how much currency you can take in.

Half-way between cheques and cash is the Eurocheque. Your ordinary bank cheque guarantee card will normally allow you up to £30 in cash from a bank showing the EC symbol.

Credit cards

Credit cards are very useful abroad, particularly if you want to delay payment for a while. However, the rate of exchange is not the one that applied at the time of the transaction, it is the one which was effective on the day the credit card company completed its accounting period in the country concerned. If the pound is falling rapidly this is bad news, if it is rising, of course, it can be good.

Choosing the currency is a different matter. The pound has been so erratic in recent months that it is probably best not to take sterling cheques or currency (you can only take £25 of that anyway). However, try to avoid double exchange costs. For example, if you buy dollar cheques and then go to Germany you will incur exchange and perhaps commission costs in the various transactions. If there is a local currency travel cheque these are a good bet, but look hard at the small print before buying other than from the British banks, Thomas Cook or American Express. Sometimes foreign banks have rather odd rules about recovering cash lost when travel cheques go missing.

At the same time Cooks and Amex usually stay open, even during financial crises, to honour their own cheques if not other peoples.

Try to avoid changing money anywhere else but at a bank. Roadside exchange offices may seem to be offering attractive rates, but they often have surprisingly high "commission" rates. Hotels are not in the banking business, so do not expect a good rate from them. Try to avoid taking too much foreign currency, or cheques, with you.

Additional cash can usually be raised in an emergency by using a cheque guarantee card, or a credit card.

The basic danger is one of over-buying. In times of stress the banks look first of all to their profits. Therefore the margin between the selling price of a foreign currency, and the price paid when you are buying back, is considerable. If the traveller over-buys he simply gives the banks money.

Hotels make more elbow room

VE PREDICT that 1977 will the Year of Controlling Costs. nsiderable strides in this rection have been made dur- g the last two years. Many teliers have reduced payroll st, but often this has been here overstaff has been visible. om now on, a more penetrat- g analysis of rotas, produc- vity and manpower is re- ired to shave a few more ints off payroll costs. Further dical re-thinking will have to made on policies, particularly tering policies, with the objec- ve of minimising payroll sts."

So said consultants Greene, artram Smith and Co., of the ritish hotel industry a few eeks ago. They were comments hich coincided with a report the Hotels and Catering Eco- omic Development Council hich said: "Consideration will eed to be given to the scope r more non-conventional hotel perations, including a greater lement of self-catering arrange- ents. The scope for reductions the level of service may also eed to be investigated."

All this seems pretty gloomy ut, in fact, it is set against e background of a mini-boom much of Britain's hotel busi- ess, at least as far as that ector of it which handles oreign tourist traffic is con- erned. London hotels were car- led through the summer on a ising tide of trade which has ecently culminated in a Motor how bonanza. In recent months he British hotel business has ad more financial elbow room nan for at least three years ast.

Britain's recent hotels history oes back to the incentives cheme introduced by the overnment which offered (in road terms) £1,000 a room for ew developments. The en- ouragement from Government appened to come at a time hen tourism was just eginning to boom anyway, and e result was that the Treasury und itself with an open ended ommitment to prime a pump bout which was to flow full force. Hotels went p apace, particularly in entres of cities and ost particularly in London. he price of oil soared, the onomies of Europe and the S. faltered, and international avel took a decided turn for e worse.

Helped

Just as the downturn came oner and harder than many ople had expected, so has the turn. Now everyone is ondering whether or not this the real thing, or simply me sort of commercial Indian mmer.

Several things have helped e hotel industry, and one or o hindered it. The help has me from the fall in the value sterling, which has brought nerican traffic back again in me force, but still not quite 1970-73 levels, and produced considerable surge in traffic om Europe. At the same time e closure of Beirut as the ajor shopping centre for the ab world has given an ormous boost to the top end the market since most of Arab tourism (as opposed business) custom has now itched to either Athens or ndon, with London being ch the favourite.

The hindrances have come m the fact that budgeting has been bedevilled by inflation and that the changes in the pattern of traffic have produced a very uneven position, with some hotels being highly profit- able and others still having a very difficult time.

The British hotel business is by no means the glittering tower block industry that it at first appears from a stroll down Park Lane. There are probably around 1m. rentable beds in Britain in a little over 30,000 hotels up and down the coun- try. The net number of proper- ties has been falling in recent years as older operations are withdrawn from the market, a trend which has been acceler- ated recently with the introduc- tion of the Fire Precautions Act (1971). This act, combined with the rapid increase in local authority rates, forced many small hoteliers to look again at the investment required.

Domestic

Nonetheless it is thought that nearly three-quarters of the hotels in Britain were built before 1920, and that less than a tenth of the properties in the country have been built since 1960.

The fact is, of course, that the bulk of the business is still reliant on domestic traffic, and it is over this domestic tourism that the biggest question marks hover. Of the 173m. nights spent in British hotels in 1973 according to a Little Neddy sur- vey, 52 per cent. were by domestic holidaymakers, 17 per cent. by British business cus- tomers, 27 per cent. by foreign holidaymakers and only 4 per cent. by overseas commercial customers.

Since then the patterns have changed a little, but the empha- sis remains very similar. The result is that for the bulk of the market depending as it does on domestic demand, the battle for the moment is to keep tariffs down to a level that the custo- mer can afford to pay.

Neddy suggests that total de- mand for all forms of accom- modation is likely to grow to 900m. over the next decade al- though, as we have seen in re- cent months, it is unlikely to be a smooth progress to that level. It is suggested that the bulk of the tourist demand will be for beds at the bottom end of the market—25 a night or less at 1974 prices. At the same time there may be a consider- able upsurge (by two thirds) in the demand for accommodation from foreign tourists, and a doubling in the requirements of conference and exhibition cus- tom.

It may seem odd to a hotel business which is still coping with a measure of over supply, but there is a suggestion that Britain is going to need even more hotels in the fairly near future. "By the end of the decade 14,100 additional bed- rooms are likely to be required to meet the expected growth (says the NEDC) and by 1985 this figure could rise again by an additional 47,900 bedrooms. Although almost 25 per cent. of this new investment is likely to be required in the more tradi- tional holiday areas, most of the new capacity will be needed in London (29,400 bedrooms) and other urban areas (15,300).

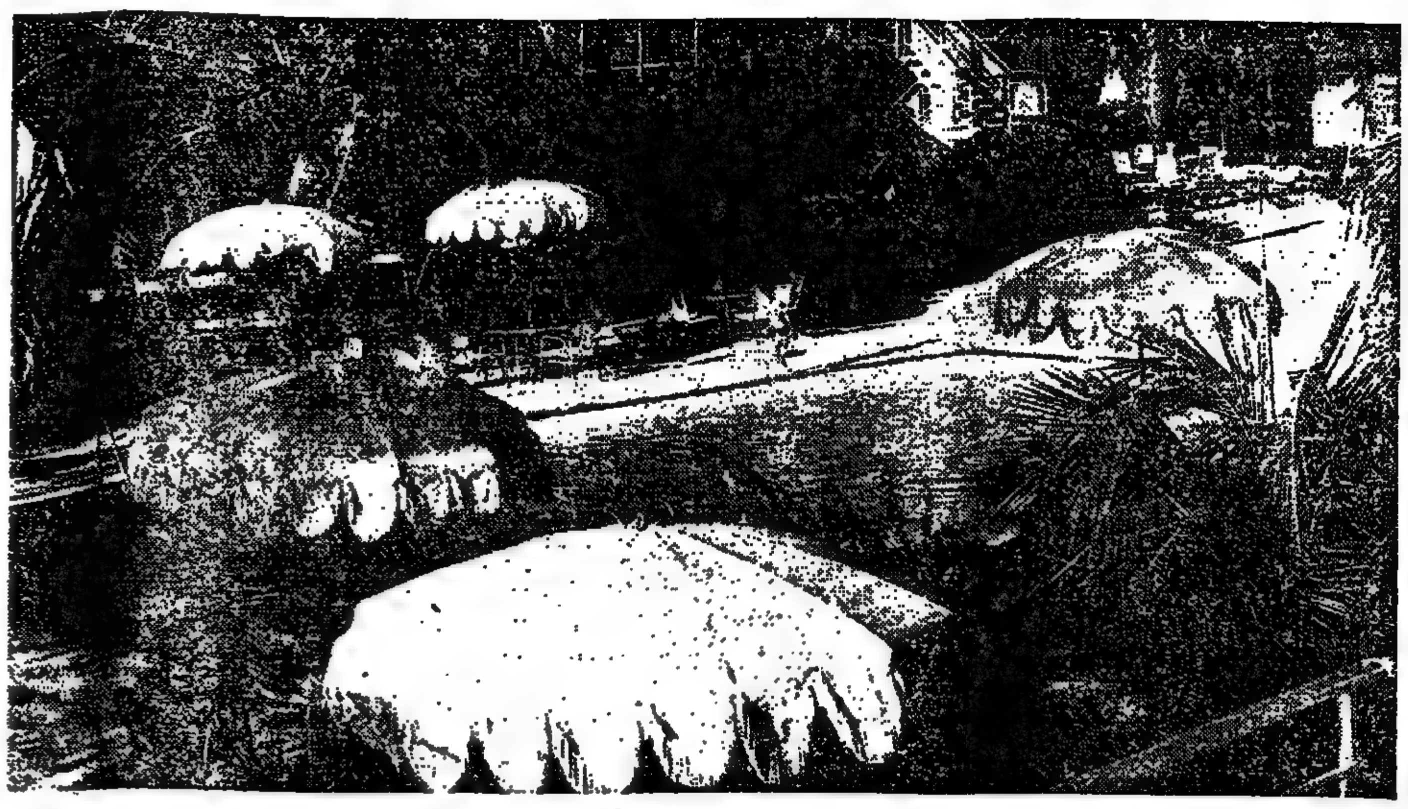
Predicting all this demand is nice enough, but encouraging the finance to ensure that it is built is quite another thing. Hotel investment is not the most fashionable of occupations these days, and with interest rates at their present levels the returns offered by new hotel buildings are not exactly exciting. Much of the new development that is done, therefore, is likely to come in the form of extensions to existing properties, which past experience has already shown is considerably more profitable than building new properties from scratch. Extensions can make use of present central facilities and thus produce more revenue without a dis- proportionate impact on over- heads.

If new property is to be developed, particularly for the home market, it may have to be in a somewhat different style from that which we have grown accustomed. Basic seaside cabins and wooden forest huts may prove the most popular facilities of the future, but this will need sympathetic attention from local authorities.

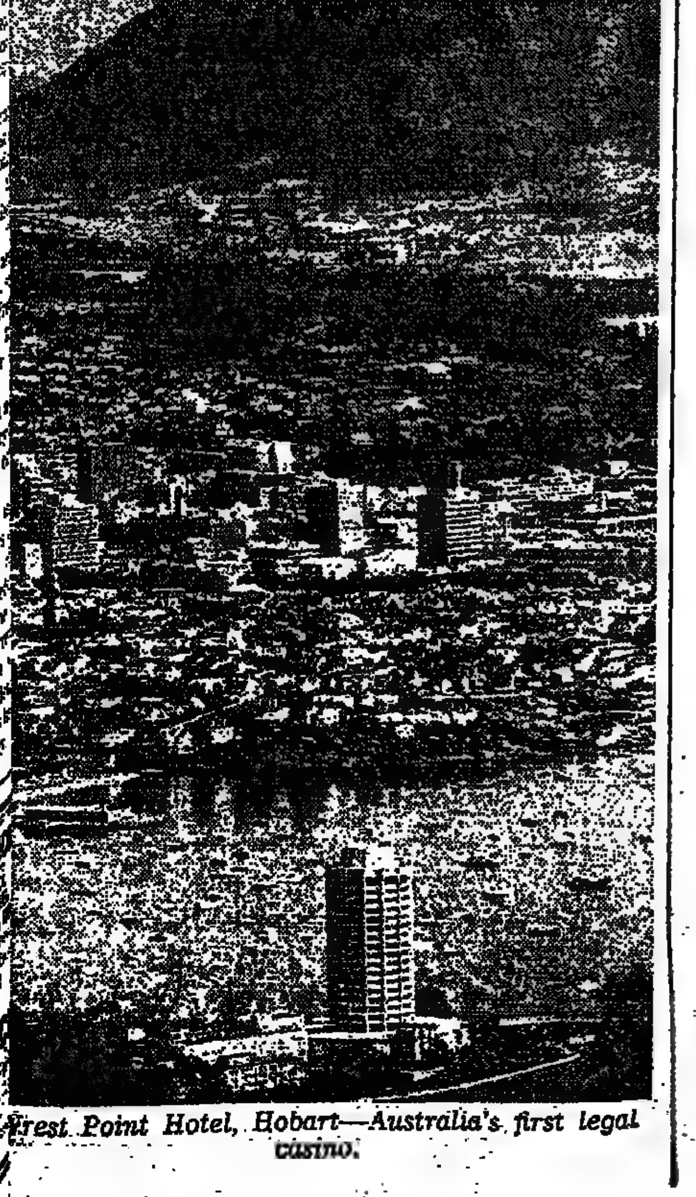
Says Neddy: "Whilst it seems that self-catering and other non-conventional forms of accommodation provide the greatest opportunity for accom modating the potential demand for the lower priced end of the market, it must be recognised that this can be achieved only with a more co-operative attitude from local planning authorities. Experience has shown that attitudes vary throughout the country, and some authorities are reluctant to permit change of use."

It may be little comfort to the British hoteliers that they are not alone. As British groups with investments abroad, such as J. Lyons in the Netherlands and Rank in Belgium, all is not entirely well in other markets either. Even the Spanish hoteliers have been sending delegations to Madrid in order to get the Government to look upon them with a sympathetic eye.

At least the British presence in Athens this week may help the Greeks a little.



The Royal Palm Hotel, one of the newest on Grand Cayman.



rest Point Hotel, Hobart—Australia's first legal casino.

Car hire battle flares

Car hire facilities are now available at almost all major airports.

THE NEXT year or so should be a fascinating one for European car rental. Avis has tended to have things very much its own way over the past three or four years, but a revitalised Hertz is fighting back with force. A major reorganisation of the Hertz operations on this side of the Atlantic may change a scene in which, in Britain for example, Avis and Godfrey Davis have been the two which have done most of the fighting.

Throughout the 1960s Avis car rental snapped at the heels of Hertz under the slogan, "We're No. 2. We try harder." More recently however, the first half of that promotional line has been dropped. Avis has now overtaken Hertz in many markets and claims to be the world's biggest car rental company in terms of maximum fleet size—a claim disputed by Hertz. Avis promotes figures which suggest that it has a world-wide total of 95,500 vehicles, and is ahead of Hertz by more than 10,000. The figures are open to dispute. Avis saying it offers more cars under its banner (including franchises and licenses) while Hertz points out that it is much the bigger company using all the usual corporate yardsticks.

For years Hertz was at pains to point out that rival Avis was not the little company trying to grow big that the red-jacketed No. 2 was always painting itself. Avis was in fact a subsidiary of one of the world's largest conglomerates, ITT, and therefore hardly short of cash when finance was needed to fund new operations.

In 1971, however, ITT ran into trouble with American anti-trust laws and was ordered by the Courts to divest itself of Avis and some other operations. This has not proved as easy in practice as in theory. Stock was sold off, but too slowly for the Courts which eventually stepped in again to appoint an independent trustee to hold the shares while they were being sold. This left ITT with the profits from Avis, but no control. Now the trustee has successfully sold more than half the stock and Avis is an independent public company in its own right.

Campaigns

This very move towards independence seems to have given Avis additional bite in its marketing campaigns. It took an extremely tough stance in Britain, France and Germany in the early 1970s, opening dozens of new rental outlets, promoting its credit card system heavily, and knocking at the doors of industry in order to win what was largely Hertz business. The man who did much of the ground work in Britain, Mr. Colin Marshall, proved so successful at this game that a year ago Marshall was moved from London to New York to become president of the company.

While Avis was making a success of its expansion, Hertz's ambitions appeared greater than its ability to generate business. Too many outlets were opened, too many cars added to the fleet. Hertz backed the tourist market, and found it suffered badly from the oil crisis and international recession. It is now playing a completely different, and more profitable, game.

Marshall's immediate problem is that while Avis is now bigger than Hertz in terms of number of vehicles world-wide, Hertz is still the biggest in the most important market, the U.S., and is considerably more profitable. Last year Hertz made a net $28.1m. compared with Avis's $10.6m.

The fact is that there is a great deal more to the car rental business than just owning cars. Market fluctuations tend to be considerable and companies must have the right number of cars at the right moment. Most of them aim to have around 85 per cent. of their cars on the road at any one time. If the figure gets much higher than that too many customers are being turned away and there is insufficient time for proper servicing.

Not having cars for people who have reserved them, or for the staff of large companies which have substantial accounts with a rental company, is one of the most serious managerial mistakes a company can make. And yet as every company does its best to maximise the utilisation of its fleet the danger of this happening, particularly at peak week-ends in such locations at London, Paris or Los Angeles, is considerable. In some circumstances the rates charged are almost secondary to availability.

Being almost as much in the second hand car trade as in car rental the companies must be able to sell their cars at the right market time. To get the timing even slightly wrong and make $20 less on the re-sale of each vehicle of a 10,000 vehicle fleet is financially serious.

Mistakes

But the biggest mistakes occur in rental outlets. There is obviously a temptation to blanket the market with shop fronts in the hope of attracting custom. It is thought that Hertz has reduced its own directly-owned (as against franchised) outlets in Europe by 150 to around 600 and has now bounced back into profit.

The most popular, and most contentious, of rental outlet sites are at airports. In the U.S. the Federal Trade Commission has now turned its attention to allegations that Avis, Hertz and National Car Rental System get together to keep rivals o[ut of] airport locations, so impo[rtant] are these sites to them.

Even if the way into air[ports] is eased for smaller comp[anies] it still demands a great de[al of] courage to take the plunge. [Air]port site rentals are daunt[ingly] expensive and require com[sider]able traffic to justify the[m]. For the big groups this i[s less] of a bother because of the [hold] they have on the long-dis[tance] business traveller. Smaller [com]panies, relying on tourist [and] passing trade, never know [how] busy they are going to be [from] one day to the next.

Nonetheless the two Am[erican] giants face strong opposit[ion in] all their local markets. Go[dfrey] Davis runs neck and neck [with] Avis in Britain, Europe[car is] rapidly gaining ground [every]where in Europe. But [inter]nationally these two dom[inate] the industry. Which will [be] first to own 100,000 vehicle[s and] make reasonable profi[ts re]mains to be seen.

Cruising for the deep purse

IT IS NOT easy these days to find quality cruising with reasonable accommodation in high season for less than £40 a day, and that may explain why the cruise market from Britain is not what it was. The withdrawal of some tonnage, notably the Shaw Savill ships, helped to produce a market which fell by around 24 per cent. in 1976 compared with the previous year. As far as fly-cruising is concerned the market remained steady, as it has done for some time, at around 50,000 passengers. The major growth area, and the one which attracts most of the marketing attention, is mini-cruises, either on the short runs to the Canaries or on the short-sea ferries which are no longer simple car-transporters, but large and sophisticated vessels fully capable of providing a pleasant on-board life.

It would be wrong to deduce from all this that the cruise operators have had a miserable year. In fact the reduction of capacity appears to have come at the right moment. The biggest operator, P and O has been talking of modest profits, and everyone has stories to tell of a late booking pattern that turned what had at first promised to be a year of disaster into something not really bad at all.

Sterling

The really bright spot of the shipping business as a whole is the ferries. In 1975 they carried around 14m. passengers to Europe, Scandinavia and Ireland. This year, with a continuing switch in emphasis to in-bound traffic, that figure will probably remain the same and may even improve.

There is little doubt that when the price of fuel oil soared and the value of sterling started to go down in earnest, there were many ship operators who saw the writing on the wall and did not like it one bit. Between 1973 and 1976 operating costs rose by 60 per cent., with the fuel costs going up by 77 per cent. Somehow the shipping companies managed to absorb much of this and fares in the season just past were on average some 49 per cent. higher than in 1973. For this coming season P & O fares appear to have risen by around 12 per cent., which is hardly startling. Thomson fares, and Thomson is now a major in the cruise business, have risen substantially more and this puts the tour operator, interestingly enough, into the mainstream of the market.

Cruise companies have done their best to keep costs down. Spending less time burning up fuel by pounding through the ocean helps a little. Speeds have been cut and less time is spent actually covering miles, but you can only do so much before you start to affect the appeal of the basic product.

P & O is still the biggest operator in the British market, and for next year will be offering more than 50,000 berths. Immediately before the ABTA week-end it had already sold 20 per cent. of these. Considering the pattern of last season, this might be thought a spectacular start. Spring 1976 gave P & O a nasty experience, with advance bookings falling way below target. There was a considerable flow of last minute reservations, however, and things turned out quite well.

P & O has introduced two schemes to help its customers combat trying economic times this year. First of all it has guaranteed prices for all those who are prepared to pay in advance and in full, and then it has introduced one-week split cruises for those who feel they can no longer run to a full two-week trip. The one-week cruises involve a flight to the Mediterranean (or a flight back if you choose to sail out) in order to join the Canberra or Oriana in the Mediterranean.

Chandris, which has a very large fleet, of course, will next year be once more operating the Britanis out of Tilbury from where she goes to Europe to pick up Continental passengers before going off on her journey.

Thomson is now well established in the cruise market and also seems to have had a rather better year than might have been expected from the economic state of the country. This year it has done [a deal] with Epirotiki Lines and [a] comprehensive schedul[e of] Mediterranean and African voyages.

At the top end of the [market] a sophisticated program[me of] cruises-within-cruises has [been] worked out by Cunard f[or the] 1977 round-the-world cru[ise of] the QE2 which starts [from] Southampton on Januar[y]. Passengers can join at [South]ampton and get off at a[ny of] the 22 ports of call, or [they can choose] to join the ship at any [of the] ports. Prices start at a[bout] £1,205 for an inside cab[in for] the 18-day voyage to R[io with] a flight to London.

Peak

The peak "basic" is [...] for a trip which includes [...] to and from Caracas to co[incide] with the QE2 arrival [and] departure from La Guair[a. For] those worried about [...] with the QE2 life-style C[unard] has negotiated a special 4[0 kilo] (88 lbs) baggage allowanc[e with] both British Airways [and] British Caledonian who [are] doing the flying.

The remarkable thing [about] cruising is the way in [which] the market has held up [world]wide in spite of the pres[sures]. At the last count there [were] more than 70 cruise [ships] operating in various par[ts of] the world offering a tot[al of] 26,000 cabins—and this [does] not include Eastern bloc [ships] or the mini-cruise ferry [vessels]. In Britain the de[mand] remains although there [are] some changes in the wa[y the] market operates. P and [O is] not the only company to [have] noticed a late booking pa[ttern]. Cruising by tradition may [be a] "plan ahead" holiday, b[ut in] fact an increasing numb[er of] people seem eager to [book] to-day and depart in a c[ouple] of days' time.

Another, perhaps fascin[ating] aspect of the business, is [that] an increasing proportion o[f] customers prefer to pa[y in] currency notes rather th[an by] cheque. This may say [some]thing about the way peopl[e are] raising the money to g[o on] holiday these days.

هكذا من الأصل

AUTHORISED UNIT TRUSTS

INSURANCE, PROPERTY, BONDS

OFFSHORE AND OVERSEAS FUNDS

REGIONAL MARKETS

A selection of the share prices previously shown under regional headings is presented below with quotations on London. Irish issues, most of which are not officially listed in London, are shown separately and with prices as on the Irish exchange.

						IRISH		
			Higsons Brew.	63	......	Conv. 9% '80/82	£78¾	—¼
Albany Inv. 20p	16	......	I.O.M. Stm. £1	127	-5	Alliance Gas	51	......
Ash Spinning	34	......	Holt (Jos.) 25p	182	......	Arnott	210	......
Bertam	21	......	Kleen-e-Ze	30	......	Carroll (P.J.)	100	......
Bdg'wtr. Est. 50p	123	......	Lovell's Ship £1	138xd	-5	Clondalkin	30xd	......
Clover Croft	24	......	N'thn. Goldsmith	24	......	Concrete Prods.	40	......
Craig & Rose £1	350	......	P.M.A.	24	......	Heiton (Hldgs.)	20	-2
Dyson (R.A.)	29	......	Pearce (C. H.)	85	......	Ind. News	35	......
Ellis & McHdy	55	......	Peel Mills	11	......	Ins. Corp.	148xd	......
Evans Fr'k.10p	22	......	RobbCaledonsh.	44	......	Irish Distillers	40	......
Evered	9½	......	Sayers 12½p	15	......	Irish Ropes	85	-1
Fife Forge	52	......	Sheffield Brick	73	......	Jacob	46	......
Finlay Pkg. 5p	16	......	Sheff. Refrsht.	130	......	Sunbeam	8	......
Graig Ship. £1	315	......	Shiloh Spinn.	22	+1	T.M.G.	62	......
Hallam Sleigh 10p	6	......	Sindall (Wm.)	49	......	Unidare	42	......

BASE LENDING RATES

Allied Irish Banks Ltd.	14 %	C. Hoare & Co.	†14 %
American Express Bank	14 %	Julian S. Hodge	15 %
Anglo-Portuguese Bank	14 %	Hongkong & Shanghai	14 %
Henry Ansbacher	14½%	Industrial Bank of Scot.	14 %
Banco de Bilbao	14 %	Keyser Ullmann	14 %
Bank of Cyprus	14 %	Knowsley & Co. Ltd.	15½%
Bank of N.S.W.	14 %	Lloyds Bank	14 %
Banque du Rhone S.A.	14½%	London & European	14½%
Barclays Bank	14 %	London Mercantile	14 %
Barnett Christie Ltd.	15 %	Midland Bank	14 %
Bremar Holdings Ltd.	14 %	■ Samuel Montagu	14 %
Brit. Bank of Mid. East	14 %	■ Morgan Grenfell	14 %
■ Brown Shipley	14½%	National Westminster	14 %
Canada Permanent AFI	14 %	Northern Comm. Trust	14 %
Capitol C & C Fin. Ltd.	14 %	Norwich General Trust	14 %
Cayzer, Bowater Co. Ltd.	14 %	P. S. Refson & Co.	14 %
Cedar Holdings	12½%	Rossminster Accept'es.	14 %
■ Charterhouse Japhet	14 %	Royal Bk. Canada Trust	14 %
C. E. Coates	15 %	Schlesinger Limited	14 %
Consolidated Credits	14 %	E. S. Schwab	15 %
Co-operative Bank	*14 %	Security Trust Co. Ltd.	15 %
Corinthian Securities	14 %	Shenley Trust	16 %
Credit Lyonnais	14 %	Standard Chartered	14 %
G. R. Dawes	15 %	Trade Development Bk.	14 %
Duncan Lawrie	14 %	Twentieth Century Bk.	15 %
Eagil Trust	14 %	United Bank of Kuwait	14 %
English Transcont.	14 %	Whiteaway Laidlaw	14½%
First London Secs.	14 %	Williams & Glyn's	14 %
First Nat. Fin. Corp.	16 %	Yorkshire Bank	14 %
First Nat. Secs. Ltd.	16 %		
■ Antony Gibbs	14 %		
Goode Durrant Trust	14 %		
Greyhound Guaranty	14 %		
Grindlays Bank	‡14 %		
■ Guinness Mahon	14 %		
■ Hambros Bank	14 %		
■ Hill Samuel	§14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11%, 1-month deposits 11½%.
† 7-day deposits on sums of £10,000 and under 11% up to £25,000 11½% and over £25,000 11¾%.
§ Demand deposits 11%.
‡ Call deposits over £1,000 11%.

FINANCIAL TIMES STOCK INDICES

—	Oct. 29	Oct. 28	Oct. 27	Oct. 26	Oct. 25	Oct. 22	A Year ago
Government Secs.	56.42	56.03	55.86	56.51	56.64	57.09	66.05
Fixed Interest	55.80	55.37	55.50	56.82	56.96	56.54	58.72
Industrial Ordinary	276.7	270.5	265.3	273.5	279.9	289.7	351.2
Gold Mines	123.4	122.7	110.3	106.1	106.7	105.7	267.0
Ord. Div. Yield	7.99	8.16	8.34	8.11	7.92	7.69	6.05
Earnings Y'ld % (full) (a)	24.70	25.24	25.80	25.07	24.51	23.77	16.66
P/E Ratio (net) (b)	5.95	5.82	5.70	5.86	6.00	6.18	8.54
Dealings marked	4,923	5,000	4,818	4,990	4,608	3,695	6,215
Equity turnover £m.	—	59.54	49.78	56.14	42.71	40.20	67.90
Equity bargains total	—	11,975	11,421	12,293	9,940	8,160	15,193

10 a.m. 275.5. 11 a.m. 279.0. Noon 278.9. 1 p.m. 278.9, 2 p.m. 280.0. 3 p.m. 279.0.
Latest Index 01-246 8026.
(a) Based on 52 per cent. corporation tax. (b) Nil=5.81.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

—	1976 High	1976 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	65.21 (30/1)	55.88 (27/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	64.43 (2/2)	55.37 (28/10)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	420.8 (4/5)	265.3 (27/10)	549.6 (19/5/72)	49.4 (26/6/40)
Gold Mines	246.9 (2/1)	78.6 (26/8)	442.3 (22/5/75)	42.5 (26/10/71)

S.E. ACTIVITY

—	Oct. 29	Oct. 28
Daily—		
Gilt-Edged	186.4	179.1
Industrials	160.8	155.6
Speculative	34.5	55.6
Totals	112.1	113.8
5-day Av'r'ge.		
Gilt-Edged	185.1	175.6
Industrials	153.6	144.2
Speculative	41.1	40.0
Totals	110.8	105.2

FT—ACTUARIES INDICES

—	Oct. 29	Oct. 28	Oct. 27	Oct. 26	Oct. 25	Oct. 22	A year ago
Industrial Group	110.70	107.56	107.52	108.11	112.01	115.73	140.14
500 Shares	129.88	126.42	125.80	127.11	130.05	135.95	165.32
Div. Yield pc	7.99	8.21	8.25	8.16	7.98	7.75	5.90
P/E Ratio (net)	7.15	6.96	6.93	7.00	7.17	7.38	8.83
All Shares	119.92	116.67	116.29	117.75	120.83	125.95	150.22
Consols Yield pc	15.67	15.78	15.78	15.65	15.64	15.50	14.86

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
[illegible]	Treasury 10½pc 1976‡‡	99½	[illegible]	10.56	14.28
[illegible]	Treasury 6½pc 1977‡‡	97¼	4.8	6.43	14.57
[illegible]	Electric 3pc '74-77	96½	9.8	3.10	11.87
[illegible]	[illegible]	[illegible]	[illegible]	11.78	14.32

Five to Fifteen Years

Over Fifteen Years

Undated

**INTERNATIONAL BANK

**CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS (Miscel.)

FOREIGN BONDS & RAILS

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

S.E. List Premium 42½% (based on $US1.5900 per £)

Conversion factor 0.7025 (0.7108)

CANADIANS

S.E. List Premium 42½% (based on $1.5155 per £)

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

BUILDING INDUSTRY—Continued

CHEMICALS, PLASTICS

CINEMAS, THEATRES AND TV

DRAPERY AND STORES

DRAPERY AND STORES—Continued

ELECTRICAL AND RADIO

ENGINEERING, MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS

(Miscel.)

هكذا من الأصل

هكذا من الأصل

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPBUILDERS, REPAIRERS

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS—Continued

[illegible]

TRUSTS—Continued

[illegible]

Finance, Land, etc.

[illegible]

OILS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

MINES—Continued

FAR WEST RAND

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
Feb. Aug.	Blyvoor 25	370	28.6	Q75c	1.6	14.7
Feb. Aug.	Buffels R1	620	14.6	Q125c	1.6	14.6
—	Deelkraal R0.20	96xd	18.10	—	—	—
Feb. Aug.	Doornfontein R1	280	28.6	Q55c	2.2	14.2
Aug. Feb.	East Drie R1	605	28.6	Q75c	1.7	9.0
—	Elandsrand Gld. 20c	165	—	—	—	
Feb. Aug.	Elsburg R1	96	28.6	‡Q33.8c	1.0	‡
Feb. Aug.	Hartebeest R1	975	28.6	Q190c	1.3	14.1
Feb. Aug.	Kloof Gold R1	390	28.6	Q47c	1.5	8.7
Feb. Aug.	Libanon R1	330	28.6	Q80c	2.0	17.5
February	Southvaal 50c	370	29.12	Q5c	1.3	1.6
Aug. Feb.	Stilfontein 50c	145	14.6	‡Q36c	2.2	‡
Aug. Feb.	Vaal Reefs 50c	£10¼	28.6	‡Q175c	2.1	‡
Feb. Aug.	Venterspost R1	190	28.6	Q25c	3.6	9.5
Feb. Aug.	W. Drie R1	£17⅝	28.6	Q335c	1.5	13.8
Dec. Aug.	Western Areas R1	140	28.6	‡Q52c	1.4	‡
Feb. Aug.	Western Deep R2	720	22.6	[illegible]	1.6	‡
Feb. Aug.	Zandpan R1	165	22.6	Q31½c	1.0	13.7

O.F.S.

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
Sept. Feb.	Free State Dev. 50c	80	9.8	Q9c	0.6	8.1
May Nov.	F.S. Geduld 50c	£10¼	20.9	Q200c	ϕ	14.1
November	F.S. Saaiplaas R1	115	9.75	6c	2.6	3.8
May Oct.	Harmony 50c	235	22.3	‡Q65c	1.9	‡
Nov.	Loraine R1	90	9.75	Q6c	0.5	4.8
May Nov.	Pres. Brand 50c	875	20.9	Q170c	ϕ	14.1
May Nov.	Pres. Steyn 50c	575	20.9	Q45c	ϕ	5.7
May Nov.	St. Helena R1	£10⅝	20.9	Q170c	ϕ	11.6
—	Unisel	130	—	—	—	—
May Nov.	Welkom 50c	160	20.9	Q15c	ϕ	6.8
May Nov.	W. Holdings 50c	£13¼	20.9	Q310c	ϕ	16.3

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

CENTRAL AFRICAN

[illegible]

AUSTRALIAN

[illegible]

TINS

[illegible]

COPPER

[illegible]

MISCELLANEOUS

[illegible]

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures; they are adjusted to ACT of 35 per cent. P/Es are calculated on the basis of net distribution, bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields, assuming maintenance of net dividends on current rate of ACT, are based on middle prices, are gross and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ϕ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- : Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♣ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend, cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1976-77. M Figures based on prospectus or other official estimates for 1976. N Dividend and yield based on prospectus or other official estimates for 1976. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 29

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £325 per annum for each security

FINANCIAL TIMES
Monday November 1 1976

Icelandic fish talks start on Wednesday

BY ROBIN REEVES — THE HAGUE, Oct. 31.

NEGOTIATIONS BETWEEN the European Community and Iceland to secure continued access to Icelandic waters for British trawlers will start in Brussels on Wednesday.

A short-term agreement between Britain and Iceland expires in December.

The negotiations, which would avert another cod war, follow the week-end agreement among Foreign Ministers of the Nine here.

The way is now clear for a concerted EEC move to 200-mile fishing limits in the North Sea and North Atlantic on January 1, and for the Brussels Commission to start the complicated process of negotiating continued access for EEC fishing fleets to the waters of Iceland, Norway, Canada and the U.S.

The EEC's talks with Iceland and Norway will be intended to establish reciprocal framework agreements.

The level of catches to be bargained for in these third country waters will not be fixed until after the Community has settled the thorny issue of exclusive coastal bans. Britain and Ireland want 50 miles, the Commission proposes an exclusive limit of no more than 12 miles with other EEC fleets' historic rights preserved.

The breakthrough in the talks this week-end came when EEC Foreign Ministers in general and Mr. Anthony Crosland, the British Foreign Secretary, in particular, conceded that Ireland's fishing industry deserved exceptional treatment under a Common Fisheries Policy revised to take account of 200-mile limits.

The ministerial declaration says the policy will be applied in such a way as to secure "the continued and progressive development of Irish fishing on the basis of the Irish Government's fisheries development programme."

This envisages Ireland's catch increasing from about 80,000 tonnes a year at present to 150,000-160,000 tonnes by 1979. Set against estimated fish stocks of $4\frac{1}{2}$m. tonnes in the EEC waters to be enclosed by 200-mile limits, the quantities involved are very small.

The declaration also says that the cost of control and surveillance of fishing activities will be equitably shared among the Nine. Ireland had complained that it would need a huge fisheries protection fleet to police mostly other EEC countries' quotas.

Undamaged

In exchange for these undertakings Dr. Garret Fitzgerald, the Irish Foreign Minister, lifted his effective veto on Commission fisheries negotiations with non-EEC countries. This had led to Britain's threat to break ranks by negotiating with Iceland and adopting a 200-mile limit unilaterally.

Mr. Crosland told journalists afterwards that Britain's case for exclusive zones of 35-50 miles offshore remained undamaged. "There is still everything to play for on zones and quotas."

Mr. Crosland clearly got less for Britain's inshore fishermen than Dr. Fitzgerald for that of Ireland to the extent there is no provision for growth.

But his sticking to the U.K.'s original demand for complete parity with Ireland would, in the words of one official, have unleashed an avalanche of claims from other EEC members for exceptional treatment, making an orderely solution well nigh impossible.

Reactions to fishing pact Page 4

Sithole says Rhodesia talks 'going too slow'

BY OUR OWN CORRESPONDENT — GENEVA, Oct. 31.

INFORMAL TALKS between Mr. Ivor Richard, British chairman of the conference to establish an interim government of Rhodesia and leaders of the attending delegations continued over the week-end. The conference is expected to formally reconvene on Tuesday or Wednesday.

Rev. Ndabaningi Sithole leader of one of the four Nationalist delegations, spent 80 minutes with Mr. Richard to-day. He told reporters that "no material progress is being made" and said that the conference, which opened last Thursday, was going "a little too slow for my liking."

However, Mr. Richard described the meeting as having gone well. "I am sure this is the right way to proceed, with my talking to each delegation. I think it is going as fast as it can be reasonably expected to."

Bishop Mozarewa was the only one to put forward proposals at Friday's session of the conference. He called for an election of a new Prime Minister on the basis of adult franchise, with each contesting party being entitled to Ministerial posts proportionate to the number of votes cast for each contestant.

Advantages

For the Bishop, probably the most popular Nationalist leader but with little of any guerilla backing, the advantages of the scheme are clear.

The Minister of Foreign Affairs, Mr. P. K. van der Byl, last week categorically rejected one-man/one-vote. Unless Mr. Schaufele manages to persuade Mr. Smith to change his mind, the Rhodesian Prime Minister is likely to stick to his claim that the five-point Kissinger proposals based on a two-tier interim administration headed by a Council of State are not negotiable.

There is no official confirmation of reports that Mr. Smith planned to return to Rhodesia in the middle of the week, leaving the Deputy Prime Minister, Mr. David Smith, to head the Rhodesian delegation.

Not surprisingly the Rhodesian Government has vigorously denied claims made last week by Bishop Muzorewa's publicity officer that the ruling Rhodesian Front intends to use the envisaged two-year transition to majority rule to re-equip its army, build up depleted foreign exchange reserves (sanctions having been lifted) and reject any new constitution should it be unacceptable to them.

Convinced

Officials in the Bishop's delegation are convinced of the authenticity of a document which purports to summarise a recent speech made by the Deputy Minister in the Prime Minister's Office, Mr. Ted Sutton-Pryce, to a closed meeting of his constituency.

Mr. Sutton-Pryce last night denied that he had drafted a document which is being circulated in Geneva by Mr. Joshua Nkomo's African National Council.

Mr. Sutton-Pryce told the Financial Times that he had addressed a number of meetings in October, but on no occasion had he used a prepared speech. Mr. Sutton-Pryce said: "This report represents the usual mixture of half-truths, misrepresentation, and speculation. I stand by the agreement (Kissinger plan) as negotiated by our Prime Minister."

Document, Page 4

Government tries to block shipping probe

BY JOHN WYLES, SHIPPING CORRESPONDENT

THE GOVERNMENT is attempting to frustrate the U.S. Department of Justice investigations into North Atlantic shipping practices by forbidding the release of certain documents which have been subpoenaed.

Directives have been issued under the 1964 Shipping Contracts and Documents Act covering all relevant documents housed in the U.K.

It is understood similar action is being taken by the French, West German, Dutch and Belgian Governments, which together with the U.K. and Sweden, officially protested against the Department of Justice's activities last month.

These initiatives will not be unwelcome to the shipping conferences involved and their member companies, although publicly they have had to show a willingness to co-operate with the Justice Department.

The conferences have traditionally enjoyed immunity from U.S. anti-trust laws providing they seek approval for all operating agreements from the Federal Martime Commission.

However, the Justice Department, which convened a grand jury on the question, is understood to believe that a number of important secret agreements have been made on freight rates for which approval has not been given.

Its subpoenas are seeking a vast range of documents ranging from details of all agreements filed with the Federal Maritime Commission since 1969 to minutes of conference committee meetings.

The U.K. Government's directives have been sent to the companies involved, such as Cunard Steamship and Bibby Lines, and conference secretariats and U.S. shipping companies with documents in the U.K. which the Justice Department wants to scrutinise.

FT Monthly Survey of Business Opinion

Optimism declines over prospects for economy

A SHARP FALL in optimism about business prospects and the economy has occurred during the last month, although the level of orders is still rising, according to the latest Financial Times survey of business optimism.

The interviews were conducted after the initial British approach to the International Monetary Fund, and most after the rise in minimum lending rate to 15 per cent. in early October. The last was just over a week ago.

The survey shows that the erosion of industrial confidence which was first shown a month ago has considerably worsened. Whereas 56 per cent. of the total sample in August were more optimistic about the U.K. economy than they had been four months earlier—and nearly 40 per cent. were in September—the figure was down to just over 25 per cent. with more than 33 per cent. less optimistic.

The three sectors covered this month—non-electrical engineering, chemical and oil companies, and shipping and transport connected industries—are all less optimistic about their business prospects than when last surveyed in June.

Apart from references to the fall in sterling and the impact of the rise in interest rates, several companies mention the fact that economic growth has not proved to be so rapid as had been anticipated.

However, there has been no significant change from the pattern of recent months in the detailed indicators of business opinion on orders, costs, and capital investment.

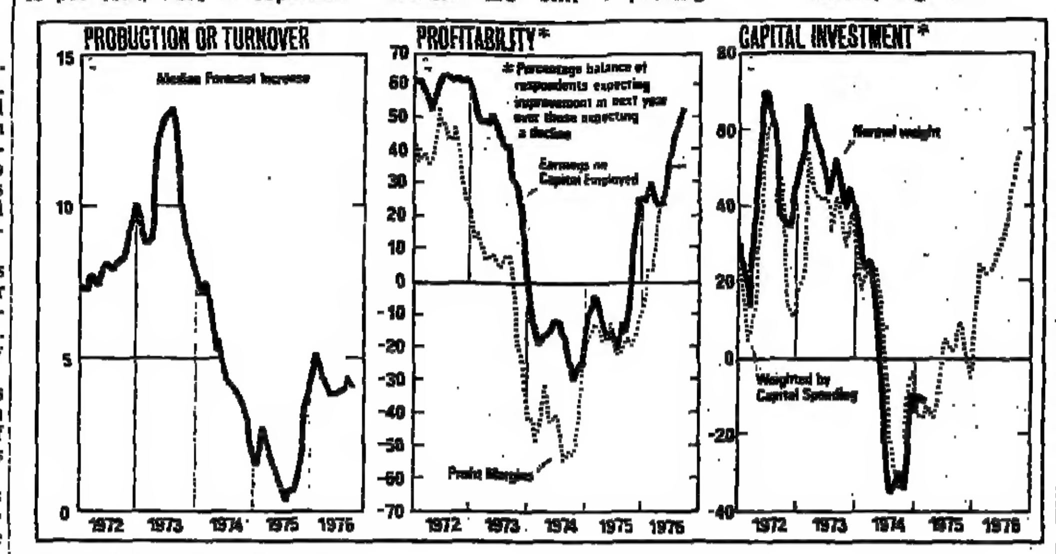
Orders are still improving with export prospects remaining particularly good. The prospects for increasing labour forces and capital investment also look more favourable, although only slightly better overall, compared with last month.

Expectations about cost and price increases are slightly more optimistic than last month but show no significant change after the levelling-out in recent months in the rate of projected rises.

Localised shortages of skilled factory staff are also reported this month.

There will be considerable interest to see how far these conclusions are borne out by the latest CBI Industrial Trends Survey due to-morrow. This survey has recently shown a modest recovery in orders and output.

Details, Page 12



EARNINGS ON CAPITAL — 4 monthly moving total — October 1976

Those expecting earnings during current year to:	July-Oct. %	June-Sept. %	May-Aug. %	Apr.-July %	Eng'g. (non-elect.) %	Chemicals & Oils %	Shipping and Transport %
Improve	61	56	54	46	58	70	46
Remain the same	27	29	27	27	33	5	44
Contract	9	10	15	22	9	25	—
No comment	3	5	4	5	—	—	10

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Labour's credibility at stake in three polls

By Richard Evans, Lobby Editor

THE GOVERNMENT'S credibility and its ability to continue its legislative programme are at stake this week in the three critical by-elections at Walsall North, Workington, and Newcastle Central.

Mr. Callaghan faces a nerve-wracking four days before he knows whether Labour has held the three seats, which are normally regarded as Labour strongholds, or whether he will lose his effective overall majority in Parliament.

The loss of a seat would not only be shattering to Labour morale, which is already low following the decline in sterling and the conflict between the Prime Minister and Labour's National Executive, but it would also have a serious impact on the Government's control of key committees in the next session of Parliament.

At present, Labour has the edge on the committees, which debate and amend Parliamentary Bills, because it has just maintained its overall Commons majority.

Should this advantage be lost and the Opposition parties gain parity on the committees, the Government's prospects of getting contentious legislation through would be severely cut.

Support

The loss of one seat on Thursday would leave Labour in a minority of 313 to 314 for all Opposition parties, and Ministers would have to rely in key divisions on the support of the two Independent Northern Ireland MPs, Mr. Gerry Fitt and Mr. Frank Maguire.

Statistically, the most vulnerable seat is Workington, where the Conservatives need a swing of 11.9 per cent. to beat Labour's majority of 9,300, but Conservative politicians believe that Walsall North, where a swing of 16.7 per cent. is required, could be the one to fall because of the unhappy legacy left to Labour by the former MP, Mr. John Stonehouse.

Newcastle Central, with one of the smallest electorates in the country, is considered the safest seat for Labour because of the massive 27.7 per cent. swing the Conservatives would need to capture it.

The greatest danger in all three constituencies is not Mrs. Margaret Thatcher and a re-invigorated Conservative Party but the apathy of Labour supporters facing high unemployment, rising prices, and an uncertain economic outlook.

With this background there is little to fire the enthusiasm of Labour voters.

Scottish Labour Party split

BY RAY PERMAN, SCOTTISH CORRESPONDENT

THE BREAKAWAY Scottish Labour Party suffered a devastating blow at its first policy-making conference yesterday when it tore itself in two during internal fighting.

The Party, after ten months of life in which it seemed to be making serious inroads into support for the official Labour Party, will now have to fight hard to retain any credibility with the electorate.

It was formed by defectors dissatisfied with the Government's progress towards devolution and is pledged to contest six Labour-held constituencies in Scotland at the next General Election.

Although it had a realistic chance of winning only one—that held by the Party chairman, Mr. Jim Sillars, who has some personal following in South Ayrshire—the effect in the other seats could have been to make the path easier for the Scottish Nationalists.

The week-end fiasco, during which Mr. Alex Neil, General Secretary resigned and then changed his mind, can only bring comfort to the Government.

Trouble started on Friday night during the first private session of the conference, when the standing orders committee suspended 12 delegates from membership, accusing them of being infiltrators from the International Marxist Group.

After disruption at Saturday's sessions, the party went into closed meetings yesterday and expelled four entire branches. There were acrimonious wrangles and another branch walked out in disgust.

About 80 expelled delegates, from a total of 200, held a meeting at an hotel and decided that they would hold their own conference in two weeks.

As the rump of the party has also to hold a special conference within the next month to decide policy issues which were not reached at the weekend, there could be the confusing spectacle of two rival conferences happening simultaneously.

The SLP considers itself a "Left-wing party," but the fight has been over how Left it should be. Mr. Sillars and Mr. Robertson align roughly with the Tribune Group and the party's policy so far has been moving towards a blend of nationalism and liberal socialism advocating community ownership and workers' control.

The party leadership alleges that a policy decision was taken by the IMG to infitrate the SLP. It was necessary therefore as much for strategic as ideological reasons to purge the infitrators. Mr. Sillars declared that Scottish voters would have nothing to do with Trotskyist groups.

However, those expelled from the party deny that they are Trotskist infiltrators and contentious motions proposed by them do not seem overtly Marxist, calling as they do for withdrawal of an independent Scotland from the EEC and an all party campaign against public expenditure cuts.

Weather

U.K. TO-DAY

CLOUDY with rain. Perhaps brighter later.

London, S.E., E. England E. Anglia

Cloudy, rain. Wind S. fresh. Near normal Max. 11C (52F).

N.W., Cent. N., Cent. S. England, Midlands, Channel Is.

Cloudy, rain. Perhaps brighter later. Near normal. Max. 13C (55F).

S.W. England, Wales

Rain, hill fog. Brighter with showers later. Near normal. Max. 13C (55F).

Outlook: Showers or rain. Some bright intervals. Cold.

Lighting-up: London 5.7.

BUSINESS CENTRES

	Y'day mid-day	°C	°F		Y'day mid-day	°C	°F
Alexandria	C	25	77	Manchstr.	F	9	48
Amsterdm	S	10	50	Melbourne	F	20	68
Athens	C	20	68	Mexico C.	S	19	66
Barcelona	S	17	63	Milan	F	16	61
Belfast	C	[illegible]	46	Montreal	S	8	46
Belgrade	F	21	70	Moscow	R	1	34
Berlin	C	6	43	Munich	C	9	48
Birmghm.	C	8	46	Newcastle	S	9	46
Bristol	F	8	46	New York	C	7	45
Brussels	F	10	50	Oslo	C	6	43
Budapest	F	17	63	Paris	F	11	52
B. Aires	S	19	67	Perth	C	17	62
Cairo	S	29	84	Prague	C	6	43
Cardiff	C	9	48	Reykjavik	C	4	39
Cologne	C	7	44	Rio de J'o	C	26	79
Copnhagn.	C	5	41	Rome	R	15	59
Dublin	C	10	50	Singapore	C	5	41
Edinburgh	S	9	48	Stockholm	C	3	37
Frankfurt	C	5	41	Strasbourg	C	9	46
Geneva	F	12	54	Sydney	R	20	65
Glasgow	S	9	48	Tehran	S	22	72
Helsinki	Sn	0	32	Tel Aviv	C	29	84
Hong Kong	C	24	75	Tokyo	C	20	68
Jo'burg	S	27	81	Toronto	C	6	43
Lisbon	S	16	61	Vienna	R	10	50
London	F	11	52	Warsaw	C	1	34
Luxemb'g	C	[illegible]	47	Zurich	C	11	52
Madrid	F	12	54				

HOLIDAY RESORTS

	Y'day mid-day	°C	°F		Y'day mid-day	°C	°F
Ajaccio	F	16	61	Las Plms.	F	22	72
Algiers	C	14	57	Locarno	R	11	52
Biarritz	C	12	54	Luxor	S	32	90
Blackpool	F	10	50	Majorca	S	17	63
Bordeaux	C	11	52	Malaga	S	19	66
Boulogne	F	10	50	Malta	F	23	73
Casablnca.	R	17	63	Nairobi	S	24	75
Cape Town	R	20	68	Naples	R	17	63
Corfu	R	20	68	Nice	S	17	63
Dubrovnik	C	18	64	Nicosia	C	23	73
Faro	S	17	63	Oporto	S	14	57
Funchal	S	20	68	Rhodes	F	24	75
Gibraltar	S	17	63	Salzburg	C	10	50
Guernsey	C	10	50	Tangier	F	17	63
Innsbruck	F	12	54	Tenerife	C	17	63
Inverness	F	8	46	Tunis	S	24	75
Isle of Man	C	9	48	Valencia	F	19	66
Istanbul	C	18	64	Venice	S	15	64
Jersey	C	11	52				

F—Fair. R—Rain. C—Cloudy. S—Sunny Sn—Snow.

THE LEX COLUMN

End of the rights issue flood

General Accident's £45m. rights issue limps to its close to-day, and with it ends a remarkable 21-month period during which companies have raised over £2.2bn. by means of Ordinary share issues. This is not that far short of twice the amount raised by equity issues during the whole of the previous five years.

There are more rights issues to come, once the market stabilises (it fell a fifth during the course of the GA funding, dropping the market level of the shares to fractionally below the issue price). Ahead of a sharp money squeeze, companies with high gearing may still feel the need to bolster their balance-sheets—even if they have already had one bite at the cherry. But the issues will no longer be regarded as an every-day event.

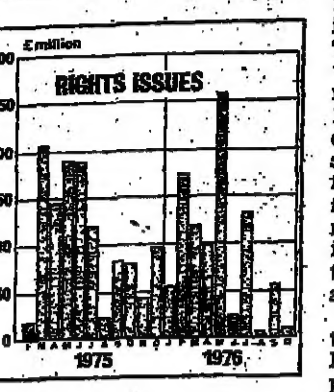
Capitalisation

Only a handful of companies would be spared the embarrassment of having to pitch the price of an issue below their previous effort if they decided to come for a second time. And the fall in the market has severely reduced the amount that could be raised, which is strictly related to the issuer's market capitalisation. To take one of the more spectacular examples, J. Lyons is currently valued at only about £3m. more than the £11m. which it raised just seven months ago.

Moreover, the money will not be forthcoming on anything like the scale of the past two years. The issue boom got under way at a time when the institutions were stuck with an embarrassing degree of liquidity in a sharply rising market. Later on, they tended to look on rights issues as a relatively painless way of participating in a bull market without having to make too many major decisions.

That has now changed. And at the same time, the Government's funding requirement is acting as an increasingly powerful magnet for institutional cash flow. The authorities' current monetary policy depends on the insurance and pension funds increasing their net gilt purchases to £3bn. or £4bn. a year, a figure which cannot be reconciled with a flow of rights issues on anything like the recent scale.

Under the circumstances, those companies which have successfully completed equity offerings—and that includes most of the obvious candidates—will now be feeling rather smug. In general terms, the new money has been used to improve liquidity and strengthen the balance-sheet ratios rather than to finance new investment.



Thanks in part to a sharp run down in physical stocks and capital investment, industrial and commercial companies financed themselves out of trading in the 18 months to June, and had something left over to spare. Their U.K. capital issues in this period amounted to £1.7bn.—which compares with a £1.2bn. increase in their bank and other deposits, net of the rise in bank and other borrowings.

In June, companies' deposits with the banking sector amounted to nearly £10.8bn., 25 per cent. more than at the end of 1974, and their holdings of treasury bills were far and away in excess of anything that had been seen in previous years at £747m.

As for the balance sheet impact, brokers Wood Mackenzie estimate that as a proportion of capital employed within the company sector bank overdrafts and short-term loans have fallen from over 17 per cent. in 1974 to under 12 per cent. in 1976.

But the providers of all this finance have much less reason to be happy. The FT 30-Share Index is currently just 16 points higher than where it stood when Ranks Hovis led off with its rights issue in February, 1975. And on average, the companies which have made issues tend to have performed rather less well than the market from the day on which their funding was announced.

So most people who took up their rights are now showing paper losses. In real terms, the picture is much worse. On this basis, the Index is down to a level which it only reached in the depths of the last bear-market.

A vivid example of this frequent conflict of in[terest] between managers and s[hare]holders came last week. Spillers, which reported [th]e entire proceeds of the rights issue made in the months of 1975 had invested in short-dated ... This may look an attract[ive in]vestment for a group ... return on capital employ[ed in] 1975-76 rose to a seven-yea[r ...] of 12.2 per cent. But ... shareholders who put money in on the basis of ...-for-seven at 38p, the ... not look so appealing ... in the latest half-year fel[l ...] third, and the shares now at $23\frac{1}{2}$p.

Of course it may be ... that the stock market wo[uld be] looking much sicker if [com]panies had not re-financed balance-sheets over the pa[st ...] years. But a system ... depends on savers being ... to throw good money aft[er ...] every three or four year[s ...] hardly rest on a very ... foundation. With stock ... ciation currently running ... over £4bn. a year, that unappealing possibility— ... profits are allowed to ... substantially.

Merchant banks

Charterhouse Japhet's ... sion to sell its 16¼ per ... stake in Atlantic Interna[tional] Bank is yet another sign ... changed circumstances o[f the] traditional London me[rchant] bank. Whereas many o[f the] accepting houses were moving spirits behind the ... of consortium banks set [up in] London in the late 1960s are now reluctantly bowi[ng ...]

Rapid inflation and the depreciation of sterling [have] taken its toll. With over ... cent. of their deposits in f[oreign] currencies and the bulk [of] capital in sterling, the [con]sortium banks are havi[ng to] increase their capital base to maintain their lendin[g ...] the onus is on the share[holders] to provide part of the ... Rothschilds sold off its ... sortium bank last year Hambros finally pulled ... Western American. The Brown Shipley has sold ... 5 per cent. of its ... Merrill Lynch Internation[al ...] Bank of America has ... out Kleinwort's share ... merchant bank. Only ... Ullmann and Baring ... retain sizeable interes[ts in] London consortium bank[s ...] Baring's total assets of £... are now 15 per cent. les[s ...] those of its affiliate, ... Multinational Bank.

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